

**To:** Mayor-Elect Lori Lightfoot

**From:** Andrew Geer, VP and Chicago Market Leader, Enterprise Community Partners

**Housing Objective:** Increase access to and supply of affordable rental units city-wide

**Recommended Initiative:** Use a racial equity tool to: guide the improvement and expansion of existing housing policies and plans, including the Affordable Requirements Ordinance (ARO) and Qualified Allocation Plan (QAP); continue advancing the Our Equitable Future Roadmap.

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Racial equity needs to be a primary lens in the evaluation, modification, and expansion of all Chicago's housing plans and policies. By using a racial equity tool, such as the [Toolkit](#) developed by the [Government Alliance on Race and Equity](#), the Lightfoot Administration can infuse the values of equity, transparency, accountability, diversity and inclusion, and transformation throughout its housing work and beyond. Many cities across the country have successfully used racial equity tools to understand issues and challenges, evaluate and improve existing programs, and design high-impact interventions and policies. Examples of such groundbreaking work include:

- Los Angeles' [report on institutional racism as a driver of black homelessness](#)
- Minneapolis' [2040 Comprehensive Plan](#), including the elimination of single-family zoning, which has perpetuated segregation and inequity
- [Oakland's Equity Indicators Project](#) and [St. Louis' Equity Indicators Project](#)
- Seattle's [Race and Social Justice Initiative](#) (the first in the country)

We recommend that the Lightfoot Administration demonstrate its intention to advancing the above values by making a public commitment in the first 100 days to using a racial equity tool in all housing initiatives.

### ***Recommendations for Existing Housing Policies and Plans***

#### **ARO Action Agenda**

As Mayor-Elect Lightfoot's housing position paper outlines, Chicago's ARO needs modification. To craft an improved policy, we recommend evaluating the current ARO and any proposed changes through a racial equity lens. The evaluation needs to consider both the affordable housing units directly created by the ARO, as well as those created through programs funded in any way through the ARO in-lieu fees (e.g., the Affordable Housing Opportunity Fund) to gain a complete picture of who is benefiting and who is burdened by the current policy, and to identify needed changes with regards to key issues, including: required level of affordability, unit types and sizes, in-lieu fees, and on-site building requirements.

In the first 100 days, the Lightfoot Administration should make a public commitment to evaluating and modifying the ARO through a racial equity lens. That said, the process of evaluating and modifying the ARO is a long-term initiative that will take significant outreach and engagement with diverse stakeholders, including stakeholders that have historically been staunch opponents of the ARO.

#### **QAP Action Agenda**

The current process by which Chicago allocates its LIHTCs lacks transparency, clarity, or consistency leading to inefficient allocation of these critical resources. In the first 100 days, the Lightfoot Administration should take the following actions:

- Make a public commitment to overhauling the City's QAP and doing so using a racial equity lens.
- Work with IHDA to improve alignment between state and city LIHTC allocation; this timing is critical as IHDA is about to begin public outreach to gather input for the 2020-21 QAP; IHDA's new QAP will be finalized this fall.

- Conduct Federal advocacy in support of the Affordable Housing Credit Improvement Act (AHCIA), which we expect to be reintroduced in the coming weeks. If implemented, the AHCIA would achieve many critical fixes to the current LIHTC program, and, among other changes, would increase Chicago's allocation of LIHTC by 50%, phased in over five years. For more information on the AHCIA see [here](#) and [here](#).

Enterprise recommends that over the longer-term, the Administration take the following actions:

- Establish a 2-year QAP
- Establish a process for robust public engagement to obtain input and feedback
- Establish a point system and set-asides that provide clarity and transparency to applicants and improve how funding decisions are made.
- Incorporate the following policy priorities into the QAP:
  - Extended affordability beyond 30 years.
  - Preservation of existing units, including a required waiver of the right to a qualified contract.
  - A balanced approach to allocation that ensures that new affordable housing is in neighborhoods connected to opportunity. [Note: Enterprise has assisted other housing agencies (e.g., IHDA, MSHDA, California TCAC) in defining these criteria and would be glad to support the city in this endeavor.]
  - Sustainability and green building practices, including through Enterprise's Green Communities Criteria.
  - Advancing Fair Housing, including through the elimination of local support requirements.
- Align the QAP with other key housing policies and plans

During this process, the Lightfoot Administration will need to balance conflicting stakeholder needs and priorities, as well as the need for investing in both revitalizing communities and areas of opportunity. While there will be challenges during this process, we are confident that the affordable housing and developer community will applaud and welcome this initiative, as the QAP's lack of clarity and transparency has been an ongoing challenge.

### ***Recommended Initiatives to Continue Advancing***

In order to advance a racial equity platform around housing, we recommend that the Lightfoot Administration support the continued implementation of the [Our Equitable Future Roadmap](#), specifically the following critical initiatives:

**Property Tax Incentive for Affordable Rental Homes:** This new property tax incentive will encourage the creation and preservation of affordable rental homes and investment in multi-family apartment buildings throughout the city. In the first 100 days, the Administration can advance this policy by advocating for the proposed legislation, [HB 2168](#), to be passed during the current legislative session. This bill is widely supporting, having six co-sponsors and the support of a wide array of Chicago stakeholders.

**Regional Assessment of Fair Housing:** The City of Chicago, Chicago Housing Authority, Cook County, several Cook County municipalities, and other housing authorities have come together to complete a regional Assessment of Fair Housing (AFH), with Enterprise Community Partners serving as the technical lead. The AFH process formally kicked off in April 2019 and will be completed by July 2020. Over the next 100 days and 16 months, the full support and active participation by the Lightfoot Administration will be critical in ensuring the success of the AFH process and implementation to achieve equitable growth and shared prosperity.

The Corporation for Supportive Housing (CSH) is pleased to submit this memo to the Housing Transition Committee for Mayor-Elect Lightfoot.

[CSH](#) is a national non-profit intermediary and Community Development Financial Institution that plays a central role in Chicago's effort to prevent and end homelessness through expanding housing resources, implementing collaborative initiatives, and advocating for equitable access to housing in all communities. CSH plays a formal role as a member of the [Chicago Continuum of Care \(CoC – IL 510\)](#) and serves as the lead agency for [Chicago's Coordinated Entry System](#), which "serves as a front door to connect people facing homelessness to housing and supports in an accessible, equitable, transparent manner." Currently there are 8,500 households on the Coordinated Entry One List in need of permanent housing.

With the help of CSH, the Chicago CoC has proposed the type, scale, and cost of investments needed to prevent new homelessness as well as drastically reduce chronic and literal homelessness in Chicago. To make transformational, equitable investments for homeless Chicagoans, [which are over represented by people of color](#) impacted by systemic racism, we need to begin with an addition of 10,455 units of housing support. Including:

- 4,200 units of supportive housing
- 4,500 units of rapid rehousing
- 1,500 units of intervention on an annual basis for shelter diversion/front-door prevention

The costs to onboard these units is estimated at \$716,167,000 (including capital for development of 1700 units) and annualized costs of \$175,030,094 to sustain this level. The current rate of funding growth through HUD CoC funds is \$4 million per year, and awarded competitively. Therefore to make transformational change that is sustainable, new revenue is needed.

CSH applauds the array of policy goals set forth by Mayor-elect Lightfoot, and recognizes that in order to Prevent Homelessness, the new administration must link several policy goals together in a comprehensive strategy. Additionally, the new administration must leverage and capitalize on the infrastructure built over the past 8 years that have seeded strategic cross-sector partnerships delivering promising interventions that can scale with new investment. Specifically, the [Families in Transition \(FIT\) Program](#) partnership between the Department of Family and Support Services, Chicago Low-Income Housing Trust Fund, and Chicago Public Schools in partnership with CSH and Chicago Coalition for the Homeless and provides supportive housing to vulnerable families that meet both the Education and Homeless CoC definitions of homelessness. The [Flexible Housing Pool \(FHP\)](#) is a city-county collaboration to create a health-driven supportive housing fund to serve individuals who are cycling through homelessness, Cook County Jail, and emergency departments.

#### Initiative— Preventing Homelessness

We agree with the Mayor-elect that the plan to implement a graduated Real Estate Transfer Tax (RETT) will be a major driver of preventing homelessness. We strongly urge the administration to work with the Chicago CoC to direct initial resources in a transparent and data-driven manner to support significant changes in the current homeless system. Specifically, a [ground-breaking research project](#) commissioned by CSH and conducted by University of Chicago Urban Labs on family homelessness demonstrates the path from doubled-up to shelter, where current resource levels and policies are insufficient to meet needs and keep families with children in a stable home.

Another policy goal, to increase transparency in funding awarded through the Qualified Allocation Plan (QAP) and align with city goals, can also support the goal of preventing homelessness. We would like to

work with the new administration to enhance and uphold the current collaboration between the CoC and the Department of Housing (DOH) to create a funding priority for supportive housing for to meet the needs of the CoC. DOH is working to follow through on existing commitments to create 1,600 units of supportive housing over five-years (setting aside the impact of the RETT implementation), of which the 600 units is a part. CSH issues a bi-annual [QAP Report](#) on national practices to target resources for supportive housing.

CSH also supports the goal of encouraging transparency, accountability, and partnership with Chicago Housing Authority (CHA). In fact CHA has adopted a homeless preference to ensure extremely vulnerable populations who have exhausted all housing options, get access to resources. As the administration changes, we do not want to lose momentum on strategic efforts that are newly being implemented that also support the Mayor-elect's goals of equity, transformation, and accountability.

#### Moving Forward: Sustaining existing momentum

- Direct Commissioners/Agency Heads and key mayoral aides to maintain positions on the CoC Board of Directors, and engage in the CoC Action Agenda which is driving systems changes;
- Maintain and expand investments in local evidence-backed programs such as the FIT initiative and FHP;
- Direct the Chicago Housing Authority to continue meaningful and measurable impact on housing people experiencing homelessness through CHA resources and homeless preferences;
- Commit to getting the RETT proposal -specific and exclusive to creating a local homeless housing fund - as a ballot measure in 2020; and,
- Support the use of the Department of Housing QAP to establish a scoring preference for supportive housing to produce approximately 100-200 units in the 2019-2020 cycle, and support the coordination with the CoC Coordinated Funding Pre-Application Process;

#### Moving Forward: First 100 days

- Prepare budget proposals for 2020 to meet local funding needs for homelessness prevention, diversion, supportive housing services not being addressed by other funding sources; and,
- Establish a path to passing the RETT proposal for homeless housing funds.

#### Moving Forward: Preparing for longer-term implementation

- Support the creation of a data-driven infrastructure to support an infusion of resources;
- Pass the graduated RETT ordinance; and,
- Develop a cross-department vision for tracking a baseline of homelessness and ways to measure change and impact of increased investment

#### Bracing for Challenges Ahead

A mayoral commitment to make transformational and sustainable changes through dedicated revenue for homelessness is unprecedented in Chicago. The risk is that the public will create their own expectations of what change in homelessness looks like, which may not be in line with the City's expectations. The new mayor should work in partnership with community and sector leaders including people with lived experience to help communicate success and ensure transparent reporting and funding allocations.

Submitted by:  
Betsy Benito  
Director, Illinois Program, Corporation for Supportive Housing



**DATE:** April 15, 2019  
**FROM:** Curt Bailey, President, Related Midwest  
**TO:** Mayor-Elect Lori Lightfoot  
**SUBJECT:** Increasing Access to and the Supply of Affordable Rental Units City-Wide

Affordable housing laid the foundation of Related and remains a core pillar of our company's business. Related has developed or acquired over 60,000 affordable and workforce housing units across the country and we have never taken a unit out of affordability. Related is committed to helping shape the growth and development of the City of Chicago ("City"), which includes the creation of equitable opportunities for its residents to access quality affordable housing.

**We propose the new administration consider creating incentives for market rate rental developers to 1) build affordable housing on-site by creating an 80/20 Housing Program, and 2) develop more affordable housing off-site under the Affordable Requirements Ordinance ("ARO") requirements by revising the guidelines. We believe both of these recommendations will help increase the supply of affordable housing without increasing demand on existing limited City resources.**

#### **1) Create an 80/20 Housing Program to Incentivize Creation of On-Site Affordable Housing**

Create an 80/20 Housing Program that enables developers to combine non-competitive "as of right" resources such as tax-exempt bonds and 4% Low Income Housing Tax Credits along with a 20+ year tax abatement in exchange for building 20% of units on-site as affordable.

Fundamentally, affordable housing is not being developed in core downtown and high wealth areas because the cost of development (e.g., land, construction) requires a developer to maximize rents well in excess of what is considered affordable. An 80/20 program addresses this issue by bringing the economics of a project with affordable units on-site back in line with the economics of a fully market rate project. As shown below, an abatement of real estate taxes helps to offset the economic gap created by the loss of income from affordable rents.

#### **EXAMPLE OF PROPERTY-LEVEL INCOME WITH REAL ESTATE TAX ABATEMENT**

	MARKETRATE PROJECT		PROJECT WITH 20% AFFORDABLE UNITS		REAL ESTATE TAX ABATEMENT		PROJECT WITH 20% AFFORDABLE UNITS & TAX ABATEMENT
RENTAL REVENUE PER UNIT	\$31,000		\$26,000				\$26,000
LESS: EXPENSES PER UNIT	(\$10,000)	=	(\$10,000)	=			(\$10,000)
LESS: TAXES PER UNIT	(\$5,000)	=	(\$5,000)	=	(\$4,000)	+	(\$1,000)
<b>NET INCOME PER UNIT</b>	<b>\$16,000</b>		<b>\$11,000</b>				<b>\$15,000</b>
LOST INCOME PER UNIT			(\$5,000)	=	(\$4,000)	+	(\$1,000)

An 80/20 Housing Program has several benefits that are directly in-line with the administrations' values of inclusion, diversity and transformation:

- Encourages mixed-income housing and helps to eliminate concentrations of poverty
- Places affordable units in core downtown locations with close proximity to jobs and transit
- Increases the supply of quality affordable housing without requiring the City to contribute competitive based financial subsidies

Related has developed more than 25 properties in New York City and around the country using 80/20 programs. In New York City, the 80/20 program has added over 38,000<sup>1</sup> affordable units and can be a powerful tool to encourage the development of affordable housing by real estate developers in Chicago.

<sup>1</sup> Source: City of New York Department of Finance Division of Tax Policy FY18 Annual Report on Tax Expenditures

## **2) Modify the ARO and ARO Pilots to Incentive Development of Off-Site Affordable Housing**

Since the Affordable Requirements Ordinance (ARO) was introduced in 2007, only 383 affordable units have been built by developers in order to meet their ARO obligation – an average of just 29 units per year.<sup>2</sup> The ARO Pilots enacted in 2017 further increase the affordable requirements for projects in the established pilot zones, both in terms of the affordability percentage and how many units must be built versus bought out. However, the ARO Pilots have not achieved their intended result of developers delivering a larger number of affordable units. As presently administered, the ARO Pilots make the development of off-site affordable housing unduly complicated and expensive.

The ARO Pilots should be updated to incentivize developers to create off-site affordable housing in the following ways:

- Better accommodate adaptive reuse and rehab projects
- Streamline the application and approval processes
- Promote the efficient use of available resources, such as zoning variances and city-owned vacant lots
- Enable developers to utilize non-competitive City financial resources, such as tax-exempt bonds and 4% Low Income Housing Tax Credits, to build units required under the ARO
- Enable developers to make contributions to other existing affordable housing development projects throughout the City that would otherwise require competitive City resources, such as subsidy or 9% Low Income Housing Tax Credits, in order to meet the ARO requirements
- Increase affordability bands to allow for opportunities for true mixed-income housing development

### WHAT WE NEED TO IMPLEMENT IN THE NEXT 100 DAYS

#### **1) Work with lawmakers in Springfield to enact legislation that allows for a temporary tax abatement for developers enrolled in an 80/20 Housing Program.**

Putting an 80/20 Housing Program in place will require coordinated legislative action at the state, county, and city level – the city must lead the charge.

#### **2) Adjust the ARO and ARO Pilots to incentivize the creation of off-site affordable units.**

Coordinate with developers to understand the issues in conforming to this legislation today and change the guidelines quickly to allow for the creation of more off-site affordable in the short term.

### WHAT WE CAN PLAN FOR LONGER-TERM IMPLEMENTATION

In order to increase the supply of affordable housing and create equitable opportunities to access it, there must be a true collaboration and partnership between the City, real estate developers, and housing advocates. As construction costs and land values continue to escalate, resolving access to and creation of affordable housing is only going to become more challenging. Public-private partnerships with central planning, thoughtful and efficient subsidy from government, and private market risk sharing, can create greater opportunities for affordable housing on a larger scale. We believe that we need to reframe the discussion towards incentivizing this type of development as opposed to simply increasing affordable requirements for developers.

### WHAT CHALLENGES WE MIGHT ENCOUNTER IN EXECUTING ON THIS INITIATIVE

The biggest challenge to implementing both an 80/20 Housing Program and making modifications to the ARO Program will be the criticism faced when creating incentives for real estate developers. This criticism will be even stronger when proposing real estate tax abatements for developers and property owners. However, a tax abatement can be put in place only on incremental real estate taxes generated and therefore does not require up-front funding or reduce existing tax revenue. This initiative will help to create off-site and on-site affordable housing quickly, which should remain the ultimate goal.

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<sup>2</sup> Sources: City of Chicago Data Portal, Affordable Rental Housing Developments Data Set & DPD Chicago Five -Year Housing Plan Quarterly Progress Reports (2009 through 2018). Note: Does not include proposed affordable units or affordable units with assumed delivery dates in 2019.



**TO:** Mayor-Elect Lori Lightfoot

**FROM:** Ciere Boatright

**A PLAN FOR NEW HOUSING ON CHICAGO'S SOUTH AND WEST SIDES**

Chicago's North side, center city and lakefront are booming with little vacant land, recovering or rising home values and rents, and an abundance of new stores, restaurants and businesses while the West and South sides continue, with few exceptions, to fall behind.

Still plagued by the disinvestment that began 50 years ago and the legacy of segregation, these neighborhoods have struggled to hold their own as the traditional manufacturing and public sector jobs that fueled their stability have left the city. The result too often has been a spiral of activity that makes things worse for West and South side neighborhoods: jobs leave, people follow, poverty increases, more people leave, stores and schools close, crime increases, and more. This has resulted in neglect of West and South side neighborhoods and, while we abhor any type of segregation and believe people should live wherever they wish to, the one thing we are sure of is that persons of color should not have to move to a white neighborhood to get the housing, services and amenities, the schooling or any of the other opportunities they need; rather, the solution is to ensure that every neighborhood has them.

As we know from the Plan for Transformation Communities, the replacement of all low-income housing with mixed income housing alone has reignited the market, brought new businesses and opportunity where for decades there had been none. Repopulating communities with housing that reaches across the income spectrum, changing the income mix, attracting stores and services that in turn provide jobs and ultimately raise the employment rate and lower the poverty rate in communities.

If the many ailing south and west side communities are to be renewed, they need to be repopulated and their commercial corridors and amenities strengthened through providing access to and supply of affordable home ownership for middle income families as well as for those with restricted income.

Currently, the only kind of new residential construction in these communities that the City or State offers or supports is "affordable housing" in the form of Low-Income Housing Tax Credit projects, CHA replacement housing, or HUD subsidized senior housing. Affordable housing is important, but it is also restrictive because it is always rental housing and it has significant income restrictions that limit middle income families from occupying these new units. The result is, continue depopulation in these communities as the only new housing is for low-income tenants. This neither builds wealth for community residents nor does it improve property values.

It is time to rethink City policy and incentives to use available tools to strengthen and diversify the housing markets in the poor communities. A potential initiative is to provide new and rehabbed housing, not only for low-income residents but also for Chicago's middle class, focusing on creating opportunities for homeownership so that Chicagoans can build equity and wealth, ultimately repopulating South and West side neighborhoods. This approach will create diverse, mixed-income communities, where equity, transparency, inclusion, and transformation are valued.

To build new and rehabbed housing affordable for Chicago's middle-income residents you need:

- Available Properties – The City of Chicago owns over 14,000 vacant lots, most clustered on the south and west sides. There are also hundreds of acres of CHA-owned land on the south and west sides. The Cook County Land Bank owns and is acquiring hundreds of

vacant buildings throughout the City.

- Active Housing Market – The new and rehabbed homes would be priced below market value to incent new homebuyers to move to these neighborhoods and to stimulate the moribund for-sale housing market. This would provide immediate equity for the homebuyers and would activate the neighborhood's housing market.
- Financing – This is by far the greatest challenge. How do you get investment in for-sale housing that will be sold at below market values? The typical response would be to look to federal, state and local resources to subsidize these units. Federal resources will not be coming any time soon and, of course, the State of Illinois is broke. The City of Chicago is also financially constrained, so deep subsidies from the City seem unlikely and are not sustainable. However, there is a local source of financing that could be tapped to stimulate new for-sale housing for middle income Chicagoans on Chicago's South and West side neighborhoods.

A provision in the current City of Chicago Affordable Requirement Ordinance (ARO) allows for-sale Downtown Developments seeking City Zoning relief through the Planned Development process to build or rehab units anywhere in the City of Chicago in lieu of having to pay the City of Chicago \$225,000 per unit for 10% of the total units in the Downtown Development. This source of financing available today needs to remain in order to implement the proposed housing initiative.

In this potential initiative, the Downtown Residential Developer would identify to the City of Chicago that it wanted to meet its 10% ARO required affordable housing by building or rehabbing units in a South or West side neighborhood. The Developer would be required to specifically identify the lots or buildings to be acquired and developed. The Downtown Residential Developer could partner with a local community developer to identify, acquire and develop the properties. A budget for the total costs would be developed, the cost being no more than \$225,000 unit nor could the number of total units be less than the required 10% ARO requirement. However, it would be acceptable should the total costs come in less than \$225,000 per unit and the total number of affordable units remains at the required 10%. This will incent the Downtown Residential Developer to use their expertise to control cost. Once the total costs are agreed upon, the Downtown Residential Developer will fund the total costs into a construction escrow for the purpose of building or rehabbing the homes. The homes will be built or rehabbed using this construction escrow and then sold to new homebuyers (150% of AMI) at below market prices.

Benefits of the initiative:

- New Middle-Income Housing on the South and West Sides
- Begins to Repopulate Areas of the South and West Sides
- No Direct City of Chicago Subsidy
- Linked Development – Downtown Development Support Neighborhood Development
- Properties Back on Tax Roles
- New Construction Jobs in Communities
- Opportunity for Wealth Building through Homeownership
- ARO Funds are Replenished and Recycled

To infuse values of equity, transparency, accountability, diversity and inclusion, and transformation in the City's housing policy, an initiative must be in place that increasing access to affordable home ownership with a focus on creating mixed-income, repopulated South and



West sides.

**To:** Mayor Elect Lori Lightfoot

**From:** Craig Chico and Housing Committee

**Prompt:** Ensure streamlined and transparent building, permitting, and zoning process

One initiative I believe would streamline building, permitting, and the zoning process is to create an office, department, board, or entity of fair and equitable housing.

This office should be given the authority of any of the other city agencies. It should be comprised of housing experts, finance experts, citizens, representatives of agencies already engaged in this work, and elected officials.

- **First 100 Days**

An initial citywide assessment should be reported back to the mayor in the first 100 days which should then be made public. Although many agencies and organizations have embarked upon this work, I do not believe a comprehensive and collaborative assessment is being used to view this initiative holistically.

- **We Need to Keep**

An initiative of this nature and magnitude cannot be undertaken without discussing aldermanic prerogative. There appears to be an overwhelming movement to eliminate (or severely curtail) aldermanic prerogative and while I concur change is needed, I do not support the total elimination of aldermanic input. To do so would be tantamount to disregarding the democratic process.

In practical terms, some aldermen were voted out of office because of their support of affordable housing. It is important to recognize other points of view and compromise, especially because the incoming mayor has an overwhelming mandate. Some aldermanic input needs to be kept, but without total authority.

- **Long term implementation**

Whether or not the new proposed office of fair and equitable housing is created, some entity needs to be charged with a 5-year housing plan that incorporates a neighborhood-by-neighborhood needs assessment and priorities through a new lens. We can then begin to prioritize our housing resources. Much good work is already being done throughout our city, it can be built upon.

There is a large amount of affordable housing stock currently not in use because the communities in which they exist are perceived as undesirable. The best and truly sustainable solution is the long term improvement of schools, safety, and economic development. Although obvious, it needs to be stated that housing and affordable housing

cannot be improved singularly or in a vacuum.

- **Challenges**

We should expect many aldermen to resist relinquishing aldermanic prerogative at any level. Despite Mayor Lightfoot's mandate, petty council squabbles can become lengthy and detract from the success of housing transformation. Aldermanic input at some level is recommended to avoid unnecessary distractions as well as incorporating their institutional knowledge.

Territorialism is another potential challenge. Agencies, elected officials, housing organizations, and community groups may believe the methods and philosophies are best. It is important to build diverse and inclusive consensus throughout this new process.

**Name: Committee Member**

**Transition Committee: Housing**

**Prompt: Increase access to and supply of affordable rental units city-wide**

Of all of the challenges Chicago faces with regards to affordable housing, none is as acute as the never-ending need for more affordable rental units. This is true in the gentrifying neighborhoods we hear so much about, but also for seniors and families in neighborhoods across Chicago, from Pullman to Austin to Rogers Park.

A dedicated local revenue stream is the single most effective way to address that shortage. States and cities across the country have taken this step already. Portland, for example, issued \$650 million in general obligation bonds for affordable housing in November. Seattle approved a \$290 million levy – its sixth such special levy since 1981 -- in 2016. The precedents and mechanisms are there for cities that also have the will.

With a few exceptions, the City's current "corporate" commitment to affordable housing historically has been very limited, and beyond that the City essentially acts as a pass-through for federal resources that are unlikely to grow in the near future. In fact, President Trump's most recent budget zeroes out HOME, CDBG and other federal resources commonly used here. So, if the goal is to change affordable housing outcomes in any meaningful way, more resources are needed, and those resources will have to be local. There will be opposition, especially within City government and even among aldermen not interested in affordable housing in their wards, but it is a question of priorities.

In addition to addressing the rental production need expressed above, such a revenue stream could also be used to address the mayor-elect's other stated objectives – affordable homeownership, rental subsidies, etc.

Chicago is already a leader in transparency when it comes to affordable housing. The Five-Year Affordable Housing Plan, created through the grass-roots leadership of the city's housing advocates, is a national model. It outlines the city's priorities as well as financing and production goals, and requires the City administration to issue a quarterly report of results as to testify publicly before the Committee on Housing and Real Estate on a quarterly basis.

That level of disclosure needs to be protected at all costs and, ideally, expanded to other City departments

There are several other proposals to address our housing shortage:

- Prioritize affordable housing as a potential recipient of TIF funds, which are currently directed largely toward infrastructure
- Seek a change in state TIF legislation allowing for the transfer of TIF revenues from downtown areas into less affluent neighborhoods in need of investment.
- Advocate for the lion's share of ARO-generated resources to be used for the equitable distribution of affordable units throughout the city.
- Property tax relief for multi-family apartment buildings with dedicated affordable housing units.

Outlier suggestion:

- The Mayor's Office and the City should work with the CHA and identify new revenue streams to expand the FamilyWorks platform to work for rental assisted households in privately-owned properties to increase economic mobility opportunities for example the Family Self Sufficiency Program and the City Colleges Tuition Assistance to name a few. The expansion of these programs supports family mobility and increases access to more affordable units

**To: Mayor Elect Lightfoot**

**From: Northwest Side Housing Center (NWSHC), Housing Transition Team Committee Member**

**Date: April 15, 2019**

For this memo, the NWSHC has chosen to focus on objective #10 innovation and collaboration as we strongly believe both innovation and collaboration are integral to the success of any housing policy or program.

In his book *Just Mercy*, Bryan Stevenson, Founder and Executive Director of the Equal Justice Initiative (EJI), states that in order to deepen your understanding of something you need to become proximate to it. Stevenson states, "if you are willing to get closer to people who are suffering, you will find the power to change the world." The NWSHC believes that first and foremost Mayor Elect Lightfoot's administration must be proximate to those Chicagoans who are currently or previously homeless, experiencing chronic and temporary homelessness, are struggling to find affordable apartments and homes, and/or are unable to pay their current rent or mortgages as a result of housing cost burden. Our suggestion is that the Department of Housing think creatively and implement a neighborhood program officer staffing strategy. Neighborhood program offices primary job would be to leave City Hall and spend their time getting to know people in communities and understand their lived experiences through proximate relationships. The neighborhood officers would be responsible for understanding the unique needs of each of Chicago's 77 community areas and supporting housing program development, administration and evaluation, as well as, increasing collaboration and innovation through their redefined role. Through these neighborhood program officers, the department of housing will be better positioned to make proximate decisions about housing.

This initiative aligns with the Mayor Elect Lightfoot's values of equity, transparency, accountability, diversity, inclusion, and transformation as follows:

*Equity:* Through this model, each person and each Chicago community would be equally represented based on the unique housing needs of the community and the distribution of neighborhood program officers throughout the city. .

*Transparency:* The neighborhood program staff would be responsible for reporting about their work in the community to the administration and keeping open lines of communication from the people to the Mayor's Office and from the Mayor's Office to the people.

*Accountability:* This model is built on the model of accountability, shifting the accountability from the bureaucracy of City Hall, to the lived experiences of the everyday people of Chicago who pay taxes to help fund the government yet cannot afford to live in Chicago. Every Chicagoan deserves to be a part of decisions and hold elected officials and city government accountable to respond to their issues and concerns.

*Diversity:* This model appropriately responds to the unique and diverse housing needs of Chicago. From Chicago Lawn, to Lawndale, to Belmont Cragin, each neighborhood has unique strengths and unique challenges. One size fits all programs do not meet the needs of every community and therefore are not representative of Chicago's diversity.

*Inclusion:* By being proximate and collaborating with community residents, this initiative would naturally inclusive and representative allowing for a diverse set of voices that have traditionally been left out of decision making..

*Transformation:* Chicago's housing policy currently is and has been broken for a generation. Despite millions of dollars in investment, Chicago still lacks basic affordable housing, we have a growing homeless population, and the working class in Chicago is leaving the city because they cannot afford to live here anymore. This initiative will transform housing policy through making truly community based housing policy decisions.

Unfortunately we are not aware of any Chicago government program that is currently using this model but this model does build off the LISC and United Way anchor institution neighborhood community development model.

The next step to implement this in the next 100 days requires the administration to determine the appropriate, diverse, and representative leadership of the Department of Housing. The leadership needs to come from the housing community, not from attorneys, zoning experts, or long-term policy makers. This leadership would then be responsible for building a team of program officers that would divide up the city and take a portfolio of neighborhoods and relationships. They would begin their work with having 100 one-on-one conversations with individuals, organizations, institutions, and people in the communities to hear their stories and collect data to begin drafting housing programs.

After this initial hiring, relationship building, and research phase the entire Department of Housing team would need to meet and discuss their findings and create concrete next steps that include revising existing programs, ending existing programs that are not working, piloting new innovative and collaborative programs, and scaling currently successful programs.

Challenges with this initiative include managing change thoughtfully.. People are naturally resistant to change and this model would completely change how the City of Chicago has traditionally interacted with its residents. In addition, the skill set for this position would be vastly different from the traditional skill set of government employees; therefore we anticipate training challenges and culture change that would need to happen within the Department of Housing. .



**Name: Committee Member**

**Transition Committee: Housing**

**Prompt: Increase access to and supply of affordable rental units city-wide**

Of all of the challenges Chicago faces with regards to affordable housing, none is as acute as the never-ending need for more affordable rental units. This is true in the gentrifying neighborhoods we hear so much about, but also for seniors and families in neighborhoods across Chicago, from Pullman to Austin to Rogers Park.

A dedicated local revenue stream is the single most effective way to address that shortage. States and cities across the country have taken this step already. Portland, for example, issued \$650 million in general obligation bonds for affordable housing in November. Seattle approved a \$290 million levy – its sixth such special levy since 1981 -- in 2016. The precedents and mechanisms are there for cities that also have the will.

With a few exceptions, the City's current "corporate" commitment to affordable housing historically has been very limited, and beyond that the City essentially acts as a pass-through for federal resources that are unlikely to grow in the near future. In fact, President Trump's most recent budget zeroes out HOME, CDBG and other federal resources commonly used here. So, if the goal is to change affordable housing outcomes in any meaningful way, more resources are needed, and those resources will have to be local. There will be opposition, especially within City government and even among aldermen not interested in affordable housing in their wards, but it is a question of priorities.

In addition to addressing the rental production need expressed above, such a revenue stream could also be used to address the mayor-elect's other stated objectives – affordable homeownership, rental subsidies, etc.

Chicago is already a leader in transparency when it comes to affordable housing. The Five-Year Affordable Housing Plan, created through the grass-roots leadership of the city's housing advocates, is a national model. It outlines the city's priorities as well as financing and production goals, and requires the City administration to issue a quarterly report of results as to testify publicly before the Committee on Housing and Real Estate on a quarterly basis.

That level of disclosure needs to be protected at all costs and, ideally, expanded to other City departments

There are several other proposals to address our housing shortage:

- Prioritize affordable housing as a potential recipient of TIF funds, which are currently directed largely toward infrastructure
- Seek a change in state TIF legislation allowing for the transfer of TIF revenues from downtown areas into less affluent neighborhoods in need of investment.
- Advocate for the lion's share of ARO-generated resources to be used for the equitable distribution of affordable units throughout the city.
- Property tax relief for multi-family apartment buildings with dedicated affordable housing units.

Outlier suggestion:

- The Mayor's Office and the City should work with the CHA and identify new revenue streams to expand the FamilyWorks platform to work for rental assisted households in privately-owned properties to increase economic mobility opportunities for example the Family Self Sufficiency Program and the City Colleges Tuition Assistance to name a few. The expansion of these programs supports family mobility and increases access to more affordable units

**To:** Mayor-Elect Lori Lightfoot

**From:** Deborah E. Bennett, Housing Transition Committee

**Initiative:** Creation of a Chief Racial Equity Officer as a Senior Cabinet Member

Chicago is a world class city. As such, it should be a place where everyone has one of the most basic of human needs – housing. Housing is foundational. Chicagoans are healthier, better able to get and keep jobs, and their children learn better when they live in decent, stable, and affordable housing.

The City must be aspirational and innovative to be a place where all of its residents have access to thriving neighborhoods and affordable housing throughout the city. This requires an honest assessment of why Chicago is a tale of two cities with a booming downtown and upper- and middle-income communities, primarily on the north side, contrasted by concentrated poverty and violence, primarily on the south and west sides. These differences are not the product of impartial market forces. They are the consequence of decades of discriminatory public policies, like segregation, redlining, deed restrictions and exclusionary zoning, that simultaneously excluded low-income families, especially families of color, from neighborhoods of opportunity and starved poor neighborhoods of color of essential investments.

Research by Harvard economist Raj Chetty that found that children who move to better neighborhoods when they are young experience upward mobility and improved life outcomes as adults, has intensified the debate between fair housing advocates and community development practitioners about relocation vs reinvestment. Chicago must do both. Reversing the legacy of discriminatory public policies requires that today's public policies tackle both the disinvestment and distress plaguing low-income neighborhoods and the barriers that exclude low-income, people of color from neighborhoods of opportunity.

Moreover, recent reports including Metropolitan Planning Council's "Cost of Segregation" and CMAP's "Inclusive Growth" make the case that segregation and economic exclusion not only diminish the economic and educational potential of excluded residents but lowers the growth of the region, which impacts all residents. Since the City of Chicago, has played a role in creating and maintaining policies that result in exclusion and disinvestment (e.g. siting of public housing and highways), it has the responsibility to explicitly and proactively work to reverse the resultant inequities created.

Recommendations for Immediate Implementation (and within the next year)

- Commit to advancing racial equity in Chicago.
  - The City of Chicago should become a member of the Government Alliance on Racial Equity (GARE) and learn from other jurisdictions around the country that are implementing a racial equity framework such as Seattle, Minneapolis, Los Angeles and New York City.
  - The Chief Racial Equity Officer, who will report directly to the mayor, will build the capacity of the new Department of Housing (DOH) staff to develop strategies to address inequity by creating a schedule of trainings on structural racism with an emphasis on Chicago history and learning from studies and reports such as:
    - A new study and documentary entitled "The Plunder of Black Wealth in Chicago: New Findings on the Lasting Toll of Predatory Housing Contracts." Event at the Federal Reserve Bank of Chicago on May 30<sup>th</sup>.

- A new report that attributes the disproportionate number of African Americans experiencing homelessness in Los Angeles to racism, discrimination and unconscious bias in public systems and institutions
- A new Brookings Institution-Gallup study that isolated the effects of racism on the undervaluing of homes in majority Black neighborhoods relative to an identical home in a comparable White neighborhood. The study concludes that the “cost of racial bias” is \$48,000 per home, amounting to \$156 billion in the cumulative loss of Black wealth.
- Department of Housing staff will use GARE’s racial equity impact assessment tool, which consists of the set of questions below, to analyze all housing policy, programs and investment decisions to proactively identify potential disparate racial impact:
  - 1. Proposal: What is the policy, program, practice or budget decision under consideration? What are the desired results and outcomes?
  - 2. Data: What’s the data? What does the data tell us?
  - 3. Community engagement: How have communities been engaged? Are there opportunities to expand engagement?
  - 4. Analysis and strategies: Who will benefit from or be burdened by your proposal? What are your strategies for advancing racial equity or mitigating unintended consequences?
  - 5. Implementation: What is your plan for implementation?
  - Accountability and communication: How will you ensure accountability, communicate and evaluate results?

#### Recommendations for What to Keep

- Learn from and build on the work of the Chicago Department of Public Health (CDPH), which has trained its staff and partner agencies on structural racism and budgeted for dedicated staff focused on operationalizing racial equity in the department.
- Use the growing momentum in the city and around the country for honest discussions about the role of structural racism in the creation and maintenance of racial disparities across all measures of social well-being including education, employment, health, housing, wealth accumulation, and incarceration among others

#### Long-Term Implementation

- Use the best practices and lessons learned from the operationalization of racial equity in the CDPH and DOH to establish an Office of Equity to advance racial equity and expand the use of racial equity impact analyses to all City departments and partner agencies

#### Challenges

- Making the case for the necessity of racial equity work with City staff, City Council members and other elected officials
- Commitment of staff and funding for racial equity work during a time of tight budgets
- Collection and analysis of data on disparate racial outcomes



## Mayor-Elect Lori Lightfoot Transition Team Memo

**Name:** Doug Schenkelberg, Executive Director, Chicago Coalition for the Homeless

**Transition Committee:** Housing

**Prompt:** Raise revenue to increase funding for housing and homelessness prevention priorities

The Chicago Coalition for the Homeless (CCH) advocates for the Bring Chicago Home proposal, which aims to increase the Real Estate Transfer Tax on properties over \$1 million by 1.2 percentage points to generate approximately \$150 million per year to be spent on addressing homelessness. Chicago must dedicate significantly more resources toward Permanent Supportive Housing (PSH) – affordable housing coupled with services that support people in maintaining their housing. PSH is a proven model that numerous studies have shown permanently ends homelessness and saves money. An Illinois study evaluating 177 supportive housing residents in Illinois and the impact it had on their use of publicly-funded services found that overall cost savings amounted to \$854,477, or \$4,828 per person, over two years.

The Lightfoot Administration can infuse the values of equity, transparency, accountability, diversity and inclusion, and transformation in this initiative in a variety of ways:

- **Equity:** Addressing one of Chicago's key equity issues is inherent in the Bring Chicago Home Campaign because people of color are so disproportionately impacted by homelessness. Over the course of a year, over 80,000 people in Chicago experience homelessness and 80% of those people are African American or Latino. There are myriad reasons why people of color experience homelessness at greater rates than whites, including but not limited to higher rates of unemployment and access to low-wage jobs; racism in the rental market and the housing market overall; and being incarcerated at higher rates, leading to housing discrimination after they are released. Systemic and institutional racism plague our city and homelessness is a function of that racism. We must enact solutions that will meaningfully address the scope of the problem at scale or else one of the most egregious examples of structural racism and inequity in our city will continue to grow.
- **Transparency:** The Bring Chicago Home ordinance proposes that decisions about how this new revenue would be spent are made by a task force made up of experts on homelessness, community organizations, leadership from DOH and DFSS, and must include people who have experienced homelessness and youth. Meetings will be open and recommendations must be approved by the full City Council. The Commissioners must report quarterly on the expenditures. In addition, the amount that the fund generates will be displayed on the City's website and updated quarterly.
- **Accountability:** The Bring Chicago Home ordinance includes safeguards around making sure that the revenue is legally only allowed to be spent on homelessness and not diverted to the city's general fund. In addition, there is language in the ordinance that this revenue could not be spent on supplanting funding that is already being allocated toward homelessness (although this is a very small amount to begin with – only around \$16 million).
- **Diversity and inclusion:** The Bring Chicago Home initiative was created and is driven by a coalition that represents the diversity both of our city and of our homeless population, with active organizations from every corner that include seniors, youth, families, those who are living on the streets, in shelter, doubled-up, and at-risk of homelessness. Once enacted, we would expect that the decision-making task force that would set priorities for spending would reflect the same diversity with representation that reflects the population of Chicago. In addition, a second phase of the campaign would work to ensure that

the housing created would be located in all parts of the city and would not be limited to certain neighborhoods. We would model this effort after an initiative in Los Angeles that sought to get commitments from all the council members to include housing in their districts.

- **Transformation:** Historically, Chicago has not invested significant local resources towards addressing homelessness and the problem has continued to grow. There are currently over 80,000 people that experience homelessness in the course of a year. Chicago is 10th out of 11 in local resources when compared to the cities with the largest homeless populations spending 5% of what New York allocates and 3% of what Los Angeles allocates per capita. Bring Chicago Home will transform the problem of homelessness by investing resources that will address the problem at scale. Over ten years, there will be 35,848 fewer people experiencing homelessness. But we will only see these transformational numbers if all the additional revenue is dedicated to homelessness. If we divide the funding up among multiple needs of our city, then we will not see meaningful change toward ending homelessness. Furthermore, the proposed ordinance would include doubled-up households in those eligible for housing, a group that previously had no access to housing resources.

To advance this initiative, the Bring Chicago Home Coalition can work together with the Lightfoot Administration in the following ways:

- **What is happening today that we need to keep:** While Chicago has made progress in terms of improving how the homeless system works, when it comes to a commitment of resources, there is very little to celebrate. In fact, a poll of Chicago voters in April 2018 showed that 77% of likely voters said they want the city council and mayor to make homelessness a higher priority. Fortunately, the solution proposed by Bring Chicago Home, which dedicates increased RETT funding solely to housing and services to address homelessness, has broad public support with 66% of voters saying they would vote to increase the tax. The initiative has momentum with 35 aldermen-elect and over 80 community organizations, unions, affordable housing developers, health care providers, and homeless service providers signed on as supporters. During the recent election season, it was clear that Chicagoans believe we need more affordable housing for the lowest income households and candidates reflected that in their campaigns. Bring Chicago Home is the way to make good on those promises.
- **What we need to implement in the next 100 days:** In order for the Real Estate Transfer Tax to increase, city council must pass a resolution to put a question on the ballot for voters to weigh in. It is critical that we pass the resolution in the first 100 days so that we have time to mount a serious electoral effort and build a larger and broader coalition of stakeholders in order to gain the electoral support needed to pass the ballot measure. The March 2020 presidential primary will be a very favorable electorate to pass the measure so that is the target date.
- **What we can plan for longer-term implementation:** After we secure a question on the March 2020 ballot, we would like to work with you on communicating to voters your support for the initiative. After referendum passage in March 2020, then we would coordinate again on a city council strategy for passage of the ordinance. Following passage of the ordinance, your administration would create the task force that would recommend to the full city council how the revenue would get spent.
- **What challenges we might encounter in executing this initiative:** The Realtors Association will be the main opponent on this issue. This is a recognizably active and powerful interest group in city hall and they have recruited a handful of alderman to join them in their opposition to this effort. We anticipate they will also launch a public messaging effort against the ballot initiative. However, we have begun efforts to build support in other business sectors in order to have champions in the business community that can counteract that messaging. Both Los Angeles and San Francisco saw significant support from the business community in passing similar measures to address homelessness.

**Name:** Erika Poethig, Chief Innovation Officer and Vice President, Urban Institute

**Transition Committee:** Housing

**Objective:** Increase access to and supply of affordable rental units city-wide

**Proposed Initiative:** Preserve affordable rental housing in 1-4 unit buildings by partnering with financial institutions and CDFIs offering affordable credit to property owners and managers.

**Rationale:** Thirty-three percent of Cook County's rental units are in two-to-four-unit buildings. Before the crash, these buildings were owner occupied and financed with residential mortgages. For the most part, they took care of themselves and were not considered major components of the rental stock. Since the crash, access to capital to preserve and improve these buildings is very limited and, as a result, vacancies in these buildings has increased. This has two major implications: 1) A critical supply of affordable rental housing is "offline" and not available and 2) Vacant buildings bring down the property values for neighborhoods and create problems for neighbors like attracting criminal activity.

While it is true that Chicago needs more affordable rental housing, it is not necessarily the case that it needs to *produce* more affordable housing units, except in higher cost markets on the northside. In 2013, Chicago's housing vacancy rate was 12% (compared to 9% nationally) and has been rising. This is larger due to the out-migration of Black households on the south and west sides of the city. An investment in preserving the existing single-family 1-4 unit buildings would both increase supply of affordable rental housing, improve the quality of neighborhoods that have been wrestling with the impact of vacant and abandoned homes, and create more wealth equity for Black and Latinx households.

**The Lightfoot Administration can infuse its goals (equity, transparency, accountability, diversity and inclusion and transformation) by:**

- Creating more **wealth equity** by enabling Black and Latinx homeowners to buy properties that generate income, which they can invest back into the properties to create more value and off-set the costs of homeownership.
- Requiring CDFI partners to report on the race, ethnicity, and gender of their borrowers to ensure **diversity and inclusion and transparency**.

**What is happening today?**

In Urban Institute's recent report *Innovative Financing Approaches for Affordable Rental Housing in Chicago*, we document many of the programs Community Investment Corporation offers to preserve affordable rental housing. We highlight a collaboration between Community Investment Corporation, Chicago Community Loan Fund and Neighborhood Housing Services, which developed a lending program for 1-4 single family rental properties with support from JP Morgan Chase. The CDFI Collaborative leveraged a \$5M grant from JPMC to raise a \$25M lending pool that preserved nearly 600 rental homes (a per unit cost of approximately \$40,000).



**In its first 100 days, the Lightfoot Administration** could meet with the Preservation Compact Leadership Committee and Interagency Council to discuss strategies to align city resources and existing authorities to reactivate vacant 1-4 unit properties and create opportunities for affordable homeownership and rental housing. Many of the local financial institutions are a part of the Preservation Compact, but as the new Administration meets with financial institutions and bank regulators in its first 100 days it should present a list of priorities where private capital could align and invest in neighborhoods on the south and west sides. As the Urban Institute's analysis makes clear, making financing more accessible and affordable for rental housing in 2-4 unit buildings should be on that list.

**For the longer-term, the Lightfoot Administration** could use small amounts of city resources or federally allocated funds to provide credit enhancement to CDFIs lending to homeowners purchasing 2-4 unit buildings and small property developers operating buildings as affordable rental housing. In the past, the City of Chicago has partnered with CDFIs to create lending pools that leverage private and philanthropic dollars. Using its limited resources, the Lightfoot Administration could help to create or scale existing lending pools to reach more homeowners and small property developers and managers.

### **What are the challenges?**

Developing and sustaining these partnerships requires commitment of leadership and staff capacity to use existing tools and create new financial vehicles. Many of Chicago's low-income residents will also require a subsidy to afford rental housing. In addition to supporting CDFI lending to preserve the small building stock, the City could also partner with the Chicago Housing Authority and the Trust Fund to align rental subsidies with these properties.

*The views expressed are those of the author and should not be attributed to the Urban Institute, its trustees, or its funders.*

## Housing Transition Memo – The Need for Proactive Affordable Housing Strategies to Improve Neighborhood Equity

This memo highlights the importance of proactive policy development, and the critical role of data, to ensure that expected major investments in the built environment have more equitable outcomes for all Chicago residents.

### Background

Institute for Housing Studies (IHS) research has shown that large public investment projects can have significant impacts on house prices and housing affordability in adjacent neighborhoods. IHS research studying [the impact of The 606](#) linear park system found that soon after the project secured funding, house prices began to increase dramatically in the surrounding lower-income neighborhoods on the western half of the trail and that buyers were paying premiums to purchase properties close to the trail. This analysis showed that projects like The 606 can have transformative impacts on neighborhood housing markets, but can also put significant affordable housing pressures on lower-income residents.

In recognizing the importance of data to enable proactive and targeted policy development, additional IHS research developed a [set of neighborhood market typologies](#) to act as a leading indicator of displacement risk to support the deployment of housing strategies around future place-based investments. These typologies highlight neighborhoods where 1) house prices recently appreciated at levels above the city average and 2) a significant share of residents are vulnerable to displacement due to factors such as income, housing cost burden, and renter status. IHS then grouped these rising and vulnerable tracts by current home values to highlight different levels of displacement risk and opportunities and challenges for policy based on these conditions. For example:

*High-cost* – High demand for market-rate housing in these areas creates opportunities for policies leveraging that demand to build and preserve affordable units already experiencing active displacement of lower-income residents due to high and rising costs.

*Moderate-cost* – The relative affordability of these markets gives practitioners a greater opportunity for implementing more proactive policies to preserve affordability, but the timeframe for proactive action may be shortened in certain areas where an alignment of market conditions and ongoing investment activity are present.

*Lower-cost* – The abundance of lower-value properties and land may provide the best opportunity for developing comprehensive, long-term housing strategies for inclusive growth.

In order to inform proactive policy responses, IHS has highlighted [lessons](#) that can be applied to targeting, timing, and the scale of affordable housing policy interventions and linked each data-driven neighborhood typology to [affordable housing strategies](#) that respond to the market conditions of each area.

## Using Data to Target Proactive Policy

In Chicago and cities across the country, a number of place-based efforts are currently underway with wide-ranging goals to improve public health outcomes, mitigate the effects of climate change, reduce racial inequities, and raise the quality of life for residents of low- and moderate-income neighborhoods. For these types of place-based investments and strategies to be successful, proactive affordable housing planning is essential to ensure vulnerable residents are not displaced before they can benefit.

The development of a data lens through which practitioners and policymakers can assess conditions and needs at the neighborhood level is critical to preserving affordability and mitigating displacement. Using this type of lens can be a key driver for improving equitable outcomes for neighborhoods and residents while encouraging critical investment in the city. Whether it is understanding the potential affordable housing impact of proposed park developments, environmental improvements along the Chicago River, infill development around underutilized transit stations, or targeted public health initiatives, a data lens can help stakeholders understand local conditions and potential vulnerability; convene diverse audiences around solutions; help develop, prioritize, and implement strategies; and track outcomes.

## Implementation

*What is happening today that we need to keep* - Implement the City's Five-Year Housing Plan. The plan already adopts a market-based approach to development and implementation of affordable housing, home ownership, and community development strategies.

*What we need to implement in the next 100 days* - Improve alignment between existing investment projects, current affordable housing programs, and the market context: 1) Identify all major built environment projects and place-based quality of life strategies currently in the pipeline at the City, 2) evaluate the market context and the expected market impact of the project, and 3) make explicit connections to existing city affordable housing, home ownership, and community development strategies and integrate these strategies into the implementation of the identified investments and strategies.

*What we can plan for longer-term implementation* - Require affordable housing impact assessment and the integration of appropriate affordable housing strategies as a core component of the planning and development of any neighborhood investment projects. Support the ongoing development of data and data tools to understand market shifts and the impact that different investments and policies have on the housing market.

*What challenges we might encounter in executing on this initiative* - Improve relationships with current residents and community-based organizations. Currently, there is a significant level of distrust and fear at the community-level of any proposed neighborhood investment projects. Residents are concerned that these programs are not designed for the current community, but rather explicitly intended to displace them. Without significant and intentional efforts to bridge this trust gap, any investments in communities, even if well intended and aligned with the above goals, will likely meet significant community resistance.

## MEMO

Date: April 15, 2019

To: Mayor Elect Lori Lightfoot

From: Joy Aruguete, Member, Housing Transition Committee &  
CEO, Bickerdike Redevelopment Corp.

Re: Housing Transition Committee Member Memo

### **Focus Objective: Create a Transparent, Accountable Qualified Allocation Plan to Effectively Distribute Low Income Housing Tax Credits and Promote City's Housing Priorities**

Chicago has been experiencing a growing demand for affordable rental housing, as the rise in housing costs have significantly outpaced the rise in incomes of Chicagoans. Our city's residents and communities have diverse housing needs and housing conditions, and place based strategies are most appropriate in developing and deploying strategies to meet Chicago's housing needs.

**Resource allocation for affordable housing development** has lacked transparency and largely been politically driven, which allocations of resources being given to those with close ties to the mayor's office and aldermen. This not only includes the Low Income Housing Tax Credit (LIHTC), but the resources that make up the layers of financing which go into these projects, such as TIF, HOME, CDBG, and CLIHTF. The Mayor Elect's priority of establishing a more transparent and less political process is not only laudable but critical to ensuring sound strategies and projects which do the best job at meeting the housing needs of Chicago's residents. Additionally, projects must be evaluated for their merit and through a racial equity lens.

**Happening now and we Need to Keep:** Today, there are a multitude of affordable housing projects in the pipeline and while changes are being made we need to ensure that projects in the pipeline are able to move forward to closing, construction and to becoming housing for neighborhood residents.

**Need to Implement in the Next 100 Days:** Continue to convene the Housing Transition Committee, comprised of many of the best minds on housing, and structure and facilitate the work of the team to ensure concrete action steps to adopt and implement the new Lightfoot administration priorities and strategies.

Establish a fair and transparent project evaluation process in time for the anticipated opening of the Low Income Housing Tax Credit round in summer 2019. Ensure this process includes a racial equity lens. Latinos have been the fastest growing group in Chicago and the metropolitan region. However, Latinos have not received an equitable share of the City's housing resources and have been underrepresented. Many communities with significant Latino populations are experiencing gentrification and Latinos are being displaced from those communities, with Logan Square being a dramatic illustration of this occurrence. A racial equity lens, not just through the perspective of the community area, but also looking at the developer and the likelihood that the project will serve Latinos, will help ensure resources reach this growing population and its critical part of Chicago's workforce.

The Low Income Housing Tax Credit (LIHC) rules provide a carve out for not for profit sponsor projects,

however, this has not been carried out in the City's allocation process historically. In Chicago and nationally, not for profit community development corporations have significant expertise and a proven track record in affordable housing production and in operating quality affordable housing over the long term with an eye on preservation of affordability. The City should review project applications based on merit and establish an ambitious carve out in its LIHTC QAP and allocations for projects with not for profit sponsors.

**Plans for Longer Term Implementation:** While the City has recognized the importance of the preservation of its stock of affordable housing, City LIHTC resources have not been allocated to preservation projects. A look at aging affordable housing developments as well as strategies and programming to help ensure these properties can continue to operate as affordable housing is an important priority. This needs to be included in the QAP.

A significant portion of the City's resources have been allocated for CHA Plan for Transformation projects. This has resulted in the allocation of these precious and limited resources into communities that have public housing projects, which are largely on the south side, and to a lesser extent the west side, of Chicago. Additionally, other than Lathrop, these are areas which do not have Latinos residing there, reinforcing the lack of housing resources going to Chicago's Latino residents. The City must reevaluate and significantly reduce the level of funding for CHA projects, ensuring that LIHTC are used to help meet housing needs across the City, including the northwest and north sides. This would also help ensure funded projects do a better job at reaching Chicago's Latino residents.

Other important longer term strategies include:

- Property tax exemption for affordable housing developments with not for project sponsor/owners.
- Tighten the use of TIF and prioritize the use of TIF for affordable housing development gap financing.
- Reestablish and expand City corporate funding for affordable housing and the Department of Housing.
- Either reverse the decision to create a separate the Department of Housing (DOH), or take measures to ensure the DOH has the resources, control of resources, and authority required to operate as an effective department.
- Promote and fund shared equity models of providing and ensuring the success of affordable housing such as the Chicago Community Land Trust, other local land trusts and coop housing models.

**Likely Challenges:** Nimbyism will likely be a significant challenge to the above efforts. A positive campaign promoting quality affordable housing and the people who need affordable housing (teachers, police officers, etc) is needed. Additionally, pressure from politically powerful affluent developers to prioritize projects and policies which inure to their benefit will be a challenge to implementing Mayor elect Lightfoot's housing agenda and changing the way things have been done in Chicago.

**Name:** Janet Smith, Professor and Co-Director Nathalie P. Voorhees Center for Neighborhood and Community Improvement, University of Illinois at Chicago

**INITIATIVE:** Encourage CHA to work with partners to provide more housing opportunities, transparency and accountability.

**GOAL:** Change the way CHA does business and for whom it works, so that it can benefit a greater number of very low income (VLI) and extremely low income (ELI) families with children and other low-income individuals in need of decent, accessible affordable housing throughout the city of Chicago.<sup>1</sup>

**WORKABLE PROBLEMS:**

- Chicago lacks sufficient supply of quality, PERMANENT affordable rental housing opportunities for VLI and ELI families in ALL of its communities.
- Nearly all new public housing units in CHA mixed income developments and project-based units are 0-2 bedrooms making it nearly impossible to accommodate larger families (i.e. 2 or more kids).
- Affordable family units built with LIHTC, whether as part of CHA or other developments are always unaffordable to ELI families and often to VLI families without some form of rental subsidy.
- Most units produced through the ARO ordinance are 0-2 bedrooms and not affordable to ELI and VLI households.
- During its early phases of “transformation” much of the new CHA replacement housing in mixed income developments did not meet the Section 504 requirements for accessibility (see HUD Voluntary Compliance Agreement); however, even if all developments now meet the requirements, the supply of accessible housing is far below the demand, especially for people younger than 55.<sup>2</sup>
- CHA’s plans are developed independently of the City’s Affordable Housing Plan.
- The CHA has been deregulated under the Moving to Work Program, which removed all traditional HUD performance benchmarks (extended by Congress through 2028) and no corresponding local oversight structure, resulting in excessive and unwarranted vacancies in public housing (PH), under-utilization/deployment of Housing Choice Vouchers (HCV), and stockpiling of capital resources intended to reconstruct public housing without any public justification and documentable plan or intent.
- While CHA fulfills HUD’s planning requirements, it could do much more to engage all its residents including those in PH, project-based units (PB) and using HCV in the private rental market.
- In Chicago, the vast majority of new housing being built is higher cost 0-2 bedroom units, and in some parts of the city, replacing older and larger apartments that did accommodate larger families.

**How the new administration can infuse the values of equity, transparency, accountability, diversity and inclusion, and transformation in that initiative**

- Prioritize families in every new CHA development by requiring a high percentage of PH units be 3 or more bedrooms, committing to provide the same number and composition of family-size units as it did before deregulation (this will help meet the one remaining federal standard requiring the CHA to deliver thousands of additional family-sized apartments).
- Adopt the *Homes for All Ordinance* policy of one-for-one replacement of standing public housing developments in future CHA redevelopments to ensure that CHA maintains at least 25,000 units of public housing in perpetuity.
- Adopt the *Homes for All Ordinance* policy mandating 20% of future CHA units be to be produced in areas of opportunity to redress the historic exclusion of PH from Chicago’s better resourced communities.
- Look for any and all opportunities to go beyond the 25,000 unit goal set by CHA’s Plan for Transformation, especially taking advantage of the capital raised by CHA’s new bonding authority, in order to make whole the communities where PH was removed and is still owed and produce more balanced development throughout the city.
- Adopt the *Homes for All Ordinance* policy that land swaps and sales of CHA-owned land only occur where there is a concrete plan with land parcels and financing streams identified to produce within the next 12-60 months.

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<sup>1</sup> ELI = up to 30% of Area Median Household and VLI = 30-50% of AMI.

<sup>2</sup> Current requirements: 5% accessible to people with mobility limitations and 2% accessible for visual and hearing impaired.

- Raise the Total Development Cost (TDC) limits set by the City to adjust based on bedroom size (under current policy the TDC limit for a 3 or 4 bedroom is the same as TDC for a studio).
- Work with Access Living to determine a target ratio of accessible units for people with disabilities in new and existing CHA developments, and to identify opportunities to monetarily “incentivize” and increase the number of CHA units that are adaptable / universal design when developed.
- Find ways to support and provide equivalent resources to residents in PB buildings and in private sector with HCV as the CHA does now for people in PH (e.g. access to education and job training resources, either what is provided now to PH residents or through additional resources).
- Expand use of solar and other renewable energy to save money in CHA developments and benefit the environment, and provide employment for CHA residents (e.g. solar at Altgeld Gardens).
- Require / enforce Section 3 to employ more CHA residents and tenants with Resident Owned Businesses.
- Expand CHA housing access to persons with criminal backgrounds.

#### **What is happening today that we need to keep and utilize**

- CHA's strong bond rating and potential to access non-CHA funds for development.
- Improved usage rate of HCV resources (89% leasing rate in 2018) but still not at 100%.
- CHA's Re-Entry Pilot program for returning residents.

#### **What we need to implement in the next 100 days (not in any particular order or priority)**

- Produce a full inventory of all CHA units (PH, PB) completed and planned by bedroom size in one database with address, geo-coded and mapped. Compare the number of 3-bedroom and 4-bedroom units produced by the CHA to the total number CHA is obligated to produce and maintain under its Moving to Work Agreement with HUD to assess the exact shortfall of family-sized housing that puts CHA out of compliance with the remaining federal regulations it is beholden to.
- Determine what the new \$310 million capital bond CHA has issued will be used for. Convene communities across Chicago to build a community-driven plan for how to deploy these unallocated capital funds, for which CHA either has not produced a plan or made its plan publicly available.
- Identify barriers to increasing CHA's current HCV utilization rate and means to increase it.
- Review CHA's PH and HCV waitlists to better understand who is on each and estimated wait times.
- Integrate the development plans in CHA's FY2019 MTW with the development plans outlined in the *2019-2023 Chicago for All* plan to produce a more comprehensive plan for affordable housing.

#### **What we can plan for longer-term implementation**

- Connect with CIC initiative to collaborate and effectively increase permanent affordable rental units for VLI and ELI families in their identified opportunity areas (north and northwest sides)
- Connect with Chicago Community Land Trust to develop means to transfer CHA units to the CLT to assure long-term / permanent affordability.
- Connect with the ARO team to shift the focus to larger family units.
- Connect with the Quality Allocation Plan team to make sure incentives (points) are used to encourage/require larger units affordable to VLI and ELI families in all affordable development.
- Connect with the Cook County Land Bank to identify homes that are in suitable locations for families that could be acquired by CHA to include in its portfolio.
- Collaborate with CHA residents and PH advocates to plan a 100% PH development to demonstrate how well-run PH can be effective for residents and an asset to the community.

#### **What challenges we might encounter in executing on this initiative**

- HUD requirements that prevent innovation; (note that CHA as MTW has more flexibility).
- Resistance from CHA administration and staff to change and innovation, but who also might value both if they see themselves as change agents and not threatened.
- NIMBYism and the long held stigma that public housing and affordable housing is bad, poorly operated and where “bad people” live, but that can change with examples of decent affordable housing and mixed-income developments in Chicago.
- Racism and segregation. How can a racial equity lens across city policy and programs change this?



April 15, 2019

Mayor-Elect Lori Lightfoot  
City of Chicago  
121 N. LaSalle Street  
Chicago, IL. 60602

Re: Housing Transition Committee – Memo

Dear Housing Transition Committee,

Thank you and the incoming administration for the opportunity to work with the newly established Housing Transition Committee with the City of Chicago. Based upon request, please see the attached memorandum outlining one (1) identified Housing objective goal for 2019. From the outline received recently, I would like to respond to Item 4:

*Objective 4: Create a Transparent, Accountable Qualified Allocation Plan to Effectively Distribute Low Income Housing Tax Credits and Promote City's Housing Priorities.*

**Proposed Initiative stemming from Objective 4:** *Build a stronger project evaluation framework to review and assess LIHTC and other city financed affordable housing projects more objectively using other activate QAP programs as precedents such as Illinois Housing Development Authority's (IHDA) QAP or other leading National housing authorities (i.e. Seattle, Washington DC, New York).*

☐Address: How the new administration can infuse the values of equity, transparency, accountability, diversity and inclusion, and transformation in this initiative.

Response: By establishing a more objective process towards awarding LIHTC projects in the City of Chicago, developers as well as neighborhood stakeholders and city leaders will have a more transparent and linear structure aimed towards advancing projects which are best aligned towards community needs and tenant priorities. Furthermore, opportunities to further transform the City of Chicago's long-standing reputation of political patronage, a numerical scoring system for project evaluations should provide a more equitable way to quantify eligible and suitable projects for LIHTC award or ARO financing.

☐And as it pertains to this initiative:  
o What is happening today that we need to keep

Response: For decades the City of Chicago has been equipped with a strong project evaluation team for Housing projects under the Department of Planning and Development. Whether attempting soft fund approval or LIHTC award review, housing focused staff at DPD are well equipped to evaluate a variety of projects from rehabilitation, to major renovation and new construction. Unfortunately there is currently not a linear or clear process to evaluate all housing projects, yet DPD housing staff keep high rigor and work ethic. In a switch to a QAP process, we must find a way to keep the level of rigor and expertise high with current project evaluation staff.

o What we need to implement in the next 100 days

Response: Within the next 100 days it would be great to come up with an immediate way to evaluate projects for LIHTC award as many developers have been anticipating a 2019 Spring/Summer round of submission opportunity for the past few months. Perhaps the City of Chicago could in the interim adopt IHDA's version of the QAP and modify it to fit Chicago's context in order to have something ready to implement in the next 2-3 months. We could use 2019-2020 as a pilot year, learn from the first adoption of the IHDA similar QAP and assess for 2020-2021.

Similar to the Department of Buildings Developer Services review, the City of Chicago's new Housing Department, if short-staffed, could implement third party consulting reviews for LIHTC evaluation by pre-approved LIHTC reviewers. There might not be a direct precedent for this regionally, it might though give the City of Chicago another option to farm out services to provide a more timely evaluation of projects in the interim.

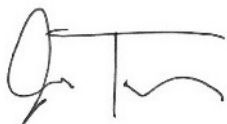
o What we can plan for longer-term implementation

Response: We could arrange a research committee in 2019/2020 to come up with a more unique QAP for Chicago using QAPs from other regions as precedents as well. We could also look to align this new QAP method with ARO project evaluation and other housing finance award criteria.

In addition, looking at QAP scoring points for developers working with 50% minimum staff LEED accredited and/or firms that have signed on with the 2030 AIA Climate Change Challenge would also give more scoring leverage and priority to developers working with more environmentally-focused firms such as ours. Similar to IHDA giving developers points for diversity and equity goals in working with MBE/WBE Architecture and Engineering firms, the City of Chicago could become an environmentally-inclusive catalyst by prioritizing QAP points towards developers working with firms signed on for certain sustainability goals in addition to project green certification goals such as LEED, Passive House, Green Globes, and Enterprise Green Communities.

o What challenges we might encounter in executing on this initiative.

Response: The IHDA QAP structure is not the most ideal, but it is a working format to evaluate competitively financed LIHTC projects. We could anticipate some resistance from more seasoned affordable developers in Chicago accustomed to a less structure in evaluating LIHTC projects.



Jaime Torres Carmona, AIA, LEED AP

Principal and Founder

Canopy / architecture + design, LLC

**Mayor-Elect Lori Lightfoot  
Housing Transition Committee  
Co-Chair – Juan Carlos Linares  
Suggested Strategies to Meet Affordable Housing Objectives**

**1. Increasing the ARO In-Lieu-of Fees from \$130,000 to \$200,000**

The Affordable Requirements Ordinance (ARO) is triggered when development projects receive a zoning change, city land, or financial assistance, or are a downtown PD, AND they build a residential project with ten or more units. 10% of units are required to be affordable; 20% if financial assistance is provided. Currently, the “in-lieu” fee that developers are allowed to pay to avoid building ARO units on-site is \$130,000 per unit, but this cost is not commensurate with the actual cost of building affordable housing units, thus giving a large benefit to the “in-lieu” paying developer. The amount should be increased to \$200,000 in non-low-income areas to get closer to meeting the actual cost of building affordable units. (Source: LUCHA)

**2. Building More Family-Friendly Affordable Units**

While Chicago’s ARO asks most developers to keep at least 10% of their units affordable to low-AMI residents, units constructed under this law have been mostly limited to 1-2 bedrooms. The ARO should be amended to require developers to build more family-sized units of three or more bedrooms on or off-site, whether units are rentals or occupant-owned. (Source: NHS of Chicago)

**3. Allocate new Corporate Funds to Serve 3x more households via the CLIHTF**

This will create stability for more lower income and working poor households, grow the base of local owners participating in the program, and provide rental subsidy to existing quality affordable housing. City-funded supportive services will be needed to facilitate the stability of many of these households and coalitions will be needed to recruit an expanded base of owners. (Source: Chicago Rehab Network)

**4. TIF Reform: Blighted Areas only**

Given the billions of TIF dollars that have accumulated over the years, and diverted away from schools and general revenues, the City should eliminate TIF for the use of anything other than

combating blight, eliminating TIF for “conservation areas,” and used in “redevelopment areas” only inasmuch as they are blighted. (Source: LUCHA)

## **5. Providing Rehab Grants Through TIF**

The TIF Purchase-Rehab program, which provides subsidies for single-family homebuyers to rehab vacant homes before moving in, is currently available only in West Humboldt Park. This popular and successful program should be expanded to more TIF districts around the city to serve residents in growing markets. (Source: NHS of Chicago)

## **6. Incentivizing Local Landlords to Preserve Affordability**

Buildings with 2-4 units represent a critical and unique part of Chicago’s housing stock. They also pose an opportunity for local homeowners to become landlords and provide affordable rental housing in their neighborhoods. Down-payment assistance or rehab grants should be offered for owner-occupants of 2-4 unit buildings in exchange for long-term affordability for the building’s rental units. Mechanisms for preserving affordability of the property could include entering it into a Land Trust or giving the City the right of first refusal to purchase the building once the owner decides to sell. This would allow the owner to realize increased equity in growing markets while providing the city with an opportunity to acquire affordable rental units without paying for expensive new construction. (Source: NHS of Chicago)

## **7. Lead Service Line Replacement**

Lead service lines deliver water to individual homes from main lines that run beneath city streets. Lead is a dangerous toxin for which there is no universally safe level in drinking water. The city maintains it does routine testing and puts a chemical in the water to make sure there is no lead runoff from these pipes, but even a former Water Department Commissioner has admitted that the safest solution would be to replace those lead service lines. This will cost a homeowner between \$15,000 and \$20,000. The city should either port excess TIF dollars from downtown districts, or institute a 1-percent tax on real estate sales of \$750,000 to pay for the estimated \$2 billion it would cost to replace those lines. (Source: LUCHA)

## **8. Tax Credit Qualified Allocation Plan (QAP) Additions**

Affordable housing development can be a leader in innovative and high impact approaches to preserving and increasing affordable housing opportunities. One such way is through a Health Action Plan which partners affordable housing developers with local health institutions to determine how the new development can mitigate health risks in its tenant base. HAP's, at a cost of \$10,000-\$15,000 each should be required components of any applicants of 9% or 4% QAP. Points should also be allocated for developers that incorporate Passive House and Net Zero (carbon-neutral) design, to signal to the market that Chicago is in the market for lower-cost energy saving materials, to lower the overall carbon footprint of the city (40% of carbon comes from buildings) and to bring energy equity to households that can save up to 90% energy costs annually. (Source: LUHA)

## **9. Preventing Displacement**

In many Chicago neighborhoods, increasing property values are displacing homeowners who are unable to afford taxes and home repairs. In order to prevent displacement in high-growth areas, the City should:

- o Increase funding for homeownership counseling for mortgage, insurance, and property tax payments.
- o Expand rehab grant programs such as SARFS, the Roof and Porch Repair Program, and the Emergency Heating Repair Program
- o Work with the Cook County Assessor's Office to provide an option for automatic renewal of the Senior Tax Exemption program, as many seniors miss resubmitting applications each year.
- o Develop a program to help seniors and other homeowners repay delinquent property taxes
- o Restrict condo conversion of multiunit buildings except in situations which will result in long term affordability.
- o Affirmatively educate residents (via CBOS) in areas of speculation and predatory real estate practices to deter against panic selling and assist owners with improvements and taxes.
- o Fund intentional affordability via land trusts and limited equity models and co-ops which control the cost of land and taxes as is the case for thousands of market-rate coops along the lakefront. (Sources: Chicago Rehab Network and NHS of Chicago)

## HOUSING TRANSITION TEAM MEMO

Name: King Harris

Transition Committee: Housing

Objective Focus: Raise Revenue to Increase Funding for Housing and Homelessness Prevention Priorities

Potential Initiative: Revise Chicago's Real Estate Transfer Tax

Commentary: Raising the RETT is pivotal to advancing Mayor-Elect Lightfoot's Housing agenda. The graduated scale proposed in the Campaign memo, a scale which essentially mirrors a proposal advocated by the Chicago Coalition for the Homeless, has the potential of raising an additional \$80-\$150 million to address homelessness in the City and increase affordable housing.

Given the Mayor-Elect's lopsided election victory and the addition of new, more liberal members to the City Council, a revised RETT can be proposed and passed by the City Council in the first 100 days of the Lightfoot Administration. The bolder the Housing plan that is presented to the City Council, the more likely the revised RETT will be passed. You can be sure, though, that Council members will ask specific questions about how the new money will be used. You can also be sure that some Council members will ask, "Why shouldn't we use this new source of revenue to cover our sizeable current deficit and our escalating pension costs?"

Effectively using the new funding will take careful planning. Rather than spend all of it on one housing priority, it should be spread out over a variety of programs that will address a number of the Mayor-Elect's Campaign promises. If \$100 million in new resources were raised on a yearly basis from a revised RETT, those resources could be split up as follows:

- \$2.5 million in year one to create 100 new units of permanent supportive housing (PSH). Adding an additional 100 units per year for the next four years would bring the total yearly commitment by year four to \$10 million. 400 more PSH units would significantly reduce chronic homelessness in the City. Note: Support from IHDA and Medicaid for this initiative could substantially reduce the total City cost of the program or allow the PSH initiative to go beyond 400 units.
- \$4-6 million per year to support a \$12 million locally created Flexible Housing Pool which would jointly be funded by the County and several major hospitals. The Housing Pool would service 300-400 chronically homeless individuals who frequently visit hospital emergency rooms and consume a significant amount of local services from other public and not-for-profit agencies. On a per person basis a program like this could save \$20,000 to \$30,000 over the course of a year. Note: The Corporation for Supportive Housing has been advocating for this kind of program for many years. CSH call them F.U.S.E. (Frequent Users of System Engagement) programs.
- \$2-5 million to expand the City's transitional shelter program with special focus on families and veterans.
- Up to \$20 million for housing rehabilitation in target neighborhoods. This would more

than double the amount of money the City plans to spend on a yearly basis on housing rehab. If yearly spending were focused on specific neighborhoods, significant community revitalization could take place, a key Lightfoot priority.

- \$5 million to double funding of the highly successful Troubled Buildings Initiative which focuses on multi-family housing. Significant numbers of affordable rental units could be preserved.
- Up to \$20 million per year invested in a new New Homes for Chicago project. If the homes were built on donated vacant City land at a cost of \$250,000/home, 160 homes could be built in a year – 640 over four years, assuming half the construction cost would be covered by a mortgage.
- \$5 million per year to the Cook County Land Bank for its ongoing work to “clean up” vacant properties and hopefully bring them back on the tax rolls after they were rehabilitated..
- Up to \$30 million per year to increase rental assistance support for very low income people. Assuming that rental assistance per person per year would cost \$7,500, 4000 very low income people could be helped.

Some final comments about the City’s RETT, current and proposed. Currently the money raised by the RETT, something like \$170-200 million per year, is split between the City’s General Revenue Fund (71% of the RETT) and the CTA (29%). into **None of the revenue raised goes directly to meet housing needs!** Compare this with State of Illinois’ RETT which is split 50/50 between affordable housing and environmental needs. The affordable housing share raises \$40-\$50 million per year which IHDA uses for a variety of programs! We should also keep in mind that RETT revenues can vary, even vary sharply depending on the amount of property transferred in a given year. To the extent that we provide rental assistance to people, we have to make sure that the assistance continues year-to-year.



**TO:** Mayor-Elect Lori Lightfoot

**FROM:** Kim L. Hunt, executive director, Pride Action Tank and committee member,  
Housing Transition Committee

**DATE:** April 15, 2019

Pride Action Tank (PAT), a project of the AIDS Foundation of Chicago congratulates Mayor-Elect Lightfoot on her historic victory. We appreciate the opportunity to provide input on the housing priorities for the new administration, particularly those related to homelessness prevention, especially for LGBTQ+ youth who are 30-40% of youth experiencing homelessness and increasing access to and the supply of affordable and subsidized housing.

**What is happening today that we need to keep:**

- The Chicago Continuum of Care (CoC) is a membership organization comprised of more than 100 organizations, including Pride Action Tank, and individuals with lived experience of homelessness who work to prevent and end homelessness in Chicago. In 2018 The CoC implemented a collective impact strategy, called the Action Agenda, that created a project management infrastructure and a governing board comprised of leaders that have authority to align resources and codify policy across systems. Within the Action Agenda there is a special focus on youth homelessness, with two dedicated project managers. The structured Action Agenda has allowed decisions made through the work of the Chicago Task Force on Homeless Youth and other youth workgroups to be quickly implemented or modified. The Action Agenda has created a system that is both flexible and coordinated and this is critical giving the Task Force the space to try new approaches to ending youth homelessness.
- Chicago Task Force on Homeless Youth is part of the Chicago Continuum of Care Action Agenda's Youth Line of Action. In early 2018, youth with lived experience of homelessness, service providers, partner agencies, funders and advocates came together as a community to create the Chicago youth system Blueprint. The Blueprint is a guide for the CoC in its work to prevent and end youth homelessness and create a community where youth will thrive with a network of healthy connections, safety and stability. From the Blueprint the Task Force created a Youth Strategy which includes the following:
  - Working with the Youth Advisory Board (young people with lived experience of homelessness) to elevate their voices in system level decision making and establish them as partners and experts
  - Developing and refining housing interventions for youth based on community and youth input and aligning resources around those community decisions.
  - Ensuring that system-wide interventions address the unique need of youth experiencing homelessness. (For example, shelter diversion, employment)
  - Using data to drive decision-making and better understand equity in the system.
  - Building partnerships with other systems including DCFS, CPS, and Juvenile Justice.

- The Youth strategy represents a huge amount of community planning and expertise and is gaining momentum and should continue to serve as the roadmap for ending youth homelessness in Chicago.

#### **What we need to implement in the next 100 days or within the next year:**

- Chicago is ripe for becoming the largest city in the US to truly embrace **tiny homes** as one solution for providing quality, low-cost housing for individuals who are experiencing homelessness. Tiny homes can be built at a fraction of the \$300-400k price tag for one affordable housing unit and much quicker. Additionally, tiny homes can be built on the swaths of vacant land near transit lines, creating new vitality to neighborhoods that have seen decades of disinvestment. Pride Action Tank and other nonprofit organizations have been actively involved in attempts to launch a tiny homes pilot project for housing insecure communities with the city for nearly two years. Additionally, there are several developers who are interested in creating market-rate tiny homes communities. It's time for Chicago to join Detroit, Portland, Seattle and other cities by adding tiny homes to its housing toolbox. *We urge the Lightfoot administration to reopen the RFI process for tiny homes that the current administration started last fall.*
- *Implement a homelessness housing pipeline development plan that includes the 900+ units of housing needed for youth.*
- *Providing stabilization resources to prevent housing-insecure Chicagoans from entering the homeless system to access support will reduce inflow into the system.* The CoC Diversion workgroup is developing a system-wide strategy for diversion, including for youth, and the City and the CoC must identify flexible funding for diversion activities that provide services and financial assistance to Chicagoans so that they can remain in a safe housing situation.
- *Implement a real estate transfer tax for properties worth over \$1 million.* PAT strongly supports the Bring Chicago Home campaign, which would dramatically expand resources to address homelessness and increase access to affordable housing.
- *Improve the Chicago Low Income Housing Trust Fund by:*
  - Establishing and maintaining strong channels of communication and transparency with providers in the following areas:
    - Budget expenditures for a particular project
    - Set timelines for responding and taking action after receiving landlords who want to participate in the program, either with additional units or new to the program
    - Maintain mechanisms to ensure all stakeholders have a common understanding of unit vacancy
  - Following best practices for permanent supportive housing, including housing first, when CLIHTF funds are paired with city homeless resources. Income requirements are not compatible with the housing first philosophy.
  - Following up in a timely manner when coalitions of social service providers provide recommendations.

#### **What can be planned for longer-term implementation:**

- Encouraging research that connects CPS, DCFS, Juvenile Justice, and the homeless system data, with the goal of aligning resources to prevent youth from becoming homeless.
- Align the various definitions of homelessness so that as the housing inventory is expanded, funds can be used to help individuals and households upstream.



April 15, 2019

**MEMO**

TO: Mayor-elect Lori Lightfoot  
FROM: Mark Angelini, President | Mercy Housing Lakefront  
RE: Increase access to and supply of affordable rental units city-wide

As your administration seeks to increase the supply of affordable housing throughout the city of Chicago, the City should boost the combined use of various federal tax credits/incentives which are intended to support community and affordable housing development. There are four federal tax credits available for this purpose, three are long-standing (the Low Income Housing Tax Credit, the Historic Tax Credit and the New Markets Tax Credit) and one was recently authorized as part of the 2017 tax reform bill (designated Opportunity Zones). Very often, these tax incentives are looked at and utilized in isolation, missing opportunities that could make more efficient use of these powerful financial tools.

As you know, the City of Chicago has an additional advantage as it is the only municipality that has direct access to the premier public vehicle in creating affordable housing: the ability to allocate federal low income housing tax credits (LIHTC) utilizing the "9%" capital structure.

Unfortunately, the City does not have a history of a strategic approach in how those credits are allocated or how they can more effectively be utilized. Your commitment to establishing, for the first time, a strategically focused Qualified Allocation Plan (QAP) will provide the City to experiment and incent creativity in the use of 9% Low Income Housing Tax Credits.

Given that the LIHTC program works to generate private equity investments in affordable housing and that the City faces enormous challenges on how to allocate its own revenues to satisfy both its financial obligations and the growing social service needs of its citizens, it is imperative that Chicago maximize its ability to fully leverage 4% and 9% LIHTC's.

For example, the City of Chicago could encourage, through its QAP and by other means, use of LIHTC's that combine or "twin:"

1. 4% and 9% LIHTC's; and
2. 4% LIHTCs with designated Opportunity Zone investments.

**Twinning 4% and 9% LIHTC's**

The benefit to the City for boosting the use of LIHTC "twinning" is that more private equity is raised and less "soft debt" is needed thereby creating more units of affordable housing more efficiently (as regards use of scarce public resources). Soft debt is typically found in scarce resources such as the Affordable Housing Trust Fund and HOME dollars. In addition, the annual amount of available 9% LIHTC is capped making it a limited resource as well. These scarce dollars can be stretched by enabling developments with



unused 9% credit basis to access 4% credits – which effectively swaps additional private equity for City sources of soft debt.

There are limits to this policy so the use of twinning should be targeted and restricted. Not surprisingly, twinning creates capital structures that are more complicated than use of either tax credit on its own – so utilization would be best left to more experienced developers. In addition, twinning is not suited to acquisition/rehab of existing residential properties and thus better utilized in either new construction or adaptive reuse of commercial buildings.

### **Twining 4% LIHTC's with federal Opportunity Zone investments**

Enacted by the 2017 federal law modifying the tax code, investments in federally qualified Opportunity Zones (OZ) are incented by allowing the significant sheltering of investor capital gains taxes, both in terms of gains earned outside of and prior to any OZ investment as well as in capital gains earned in the course of long term (10+ years) capital investment in an OZ. Significant amounts of private capital have and are being raised even while IRS regulations and guidelines are being formulated. While this bodes well for private investment being driven into distressed communities, it is also likely to encourage the gentrification of these communities as maximizing OZ investments calculates to the earning of large returns from the commercial activity in which OZ capital is direct toward.

One way to encourage OZ investment that will result in the creation of affordable housing in what are likely to be gentrified communities is to twin 4% LIHTCs with OZ capital. As laid out in greater detail in a white paper published in 2018 and updated in 2019 by the law firm Applegate & Thorne-Thomsen, utilizing 4% LIHTC in OZ-eligible investments would provide the OZ investor with significant tax advantages. This would enable the creation of new, high quality affordable housing in areas that could be at substantial risk of the dislocation of existing residents since OZ-driven investments -- especially in OZ's proximate to already established communities -- will be driven toward high-return outcomes such as new office, high-end rental and commercial buildings.

### **Conclusion**

There are other potential twinning strategies that include the New Markets Tax Credit and the Historic Tax Credit that go beyond the scope of a two-page memo. The main point is that in an era of scarce public funds combined with rapidly growing human resource needs that also call for increased commitment of public resources (healthcare, education, homeless prevention services), it will be incumbent on your administration to **maximize ways in which private capital can be leveraged** to serve the needs of those in need. I hope this memo provides a concrete sense of how that can be accomplished to meet the objective of increasing the supply of affordable housing in the city of Chicago.



To: Mayor-Elect Lightfoot and Housing Transition Team  
From: Marca Bristo, President & CEO, Access Living  
Re: Housing and Disability Priorities  
Date: April 15, 2019

Thank you for the opportunity to contribute to the transition team's work to gather input on housing issues from stakeholders across Chicago. Since 1980, Access Living has worked to advance and protect housing opportunities for the 600,000 people with disabilities in Chicago, as well as for individuals with disabilities on the state, national, and international levels. Across the board, access to affordable, accessible housing is a human rights issue for people with disabilities.

In December 2018, at the Mayoral Forum we hosted on disabilities issues, I was pleased you made the following commitments:

To increase the percentage of accessible housing units required in new housing developments;  
To increase funding for grants to help residents pay for home modifications; and  
To provide real estate property tax relief for homeowners who make modifications to address accessibility barriers.

At Access Living, the number one issue we receive calls about concerns individuals looking for accessible housing. There is a dire lack of physically accessible housing for people with disabilities. Specifically, less than 5% of the nation's housing stock is accessible to those with moderate physical disabilities, and less than 1% is accessible to those who use wheelchairs. Of all housing units in Chicago, 44% were built before 1940, well before the federal Fair Housing Act required new multi-family housing to include basic elements of accessibility. Also, 31% of units in Chicago are in structures with two or more units and most of these are in multi-story buildings, which typically include stairs.

The need for accessible housing is compounded by the need for affordable housing. In 2016 in Illinois, a person with a disability received SSI benefits equal to \$733 per month. In the Chicago-Joliet-Naperville metro area, this income was equal to 16.3% of the area median income. A person with a disability receiving SSI would have to pay 124% of their monthly income to rent an efficiency unit, and 144% of their monthly income for a one-bedroom unit.

**Objective Focus:** Increase access to and supply of affordable rental units city-wide; and  
Increase access to subsidized housing and housing assistance city-wide.

#### What is Happening Today That We Need to Keep

- To increase the accessibility of housing in Chicago, work with the Mayor's Office of People with Disabilities to ensure the city has the strongest building code in the country in terms of access requirements.

### For Immediate/Short-Term Implementation

- For more than thirty years, the City has failed to ensure its Affordable Rental Housing Program includes sufficient numbers of accessible units, as required by federal civil rights laws, or that the accessible units that do exist are utilized by people with disabilities. This has created a housing crisis for low-income disabled people across the city. I urge the City to negotiate with us to settle a lawsuit we filed to address this problem.<sup>1</sup>
- The City has also long failed to ensure City-funded homeless shelters are accessible. I urge the city to negotiate with us to settle a lawsuit we filed to ensure programmatic access to the shelters, as required by federal civil rights laws.<sup>2</sup>
- Reform the Affordable Requirements Ordinance (ARO) by passing the Development For All ordinance or similar legislation to eliminate the option for developers to pay out of providing affordable units onsite in new developments.
- Substantially increase modification funding for residents who need accessibility improvements in their apartments, condos units, or homes (if income eligible). Also, implement a modification program specifically for seniors, and another for landlords who wish to make their buildings more accessible for tenants.
- Improve enforcement of source of income discrimination cases at the Chicago Commission on Human Rights.
- Increase funding for financial literacy training to help renters improve their credit score.
- Direct the CHA to make more housing choice vouchers available for people with disabilities.

### For Longer-Term Implementation

- Finalize updates to the Chicago Building Code that have been pending for years, and would make new construction standards in Chicago among the most progressive in the world in terms of accessibility.
- Because the current need is so great, affirmatively require 20% of units in new federally subsidized developments comply with the elevated accessibility requirements of Section 504 of the Rehabilitation Act, rather than the 5% otherwise required by 504.
- Support automatic sealing in eviction cases (this probably requires a legislative change, such as via current House Bill 2299).
- Support the Housing Plus concept by passing legislation streamlining zoning and parking requirement changes to allow unused commercial space and vacant garden-level space in older residential buildings, along with carriage houses, to be converted into accessible, subsidized housing units.
- Develop an incentive for landlords to register their units in the searchable online database hosted by the Illinois Housing Development Authority (IHDA). The registration of higher numbers of units increases housing opportunities for people with disabilities, and enables housing agencies more effectively to assist home seekers with disabilities.

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<sup>1</sup> See *Access Living vs. City of Chicago*, U.S. District Court, Northern District of Illinois, Case No. 18-cv-3399.

<sup>2</sup> See *Laura Martin vs. Rahm Emanuel*, U.S. District Court, Northern District of Illinois, Case No. 19-cv-1708.



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TO: Mayor-Elect Lori Lightfoot

FROM: Mack I. Julion, President NALC-Br. #11

PROMPT: *Renovating Chicago via Housing*

***In order for Chicago to realize its potential greatness there is a need for affordable housing in EVERY community.***

As most everyone is aware, Chicago is indeed a tale of two cities. I believe that the best way to change this perception *and* reality is through an aggressive housing initiative that would provide for affordable housing in every community. We have somehow come to embrace our status as the "most segregated" city in America by reframing Chicago as a "City of Neighborhoods." Unfortunately, in these *neighborhoods* all are not equal in term of resources and access. If affordable housing is only built in certain areas on the Westside and Southside, there will still exist an economical disadvantage to communities that are largely people of color.

I recently visited San Francisco on business and was taken aback at their current housing situation. Gentrification has made affordable housing practically non-existent to the *middle class*! What really disturbed me was the fact that this can and is happening in parts of Chicago right now. As new construction transforms areas of the city, those who cannot afford the price tag of these new developments are forced to consider other less desirable areas or they simply move to the suburbs. This is a tax base that the city cannot afford to lose.





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**BRANCH NO. 11- CHICAGO**



## Page 2

### **Memo to Mayor -Elect Lighfoot *Renovating Chicago via Housing***

I read your plan to *Create Housing and Prevent Homelessness*, and I think that it needs to be acted on and implemented immediately.

Chicago can be renovated through a housing initiative that would give working families an opportunity to live in almost any area of the City they choose. Areas where there are more economic opportunities and resources as it relates to employment and more diverse schools. Areas that are not plaque with the violence that is killing our children physically, mentally and emotionally. Yes, there are many vacant lots on the westside and southside that you can build affordable housing and new businesses, but we must seize the opportunity to make every community of Chicago affordable *and* fill these vacant lots! Every child should have access to the same resources and economic opportunities.

I believe implementing the changes that is expressed in your vision for Chicago housing needs to be done with a sense of urgency. There are those who will fight your plan to put affordable housing in their neighborhoods and they should be exposed! There can be no more "Lincoln Yards" projects. The City Council will need to pass laws that would incentivize the creation of more affordable housing and eliminate whatever zoning limitations that presently exist. So, in closing I want you to know that I wholeheartedly agree with your plan and will do all that I can as a part of organize labor to see it to fruition!

*Sincerely,*

  
Mack I. Julion

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**STEPHEN STEWART**





April 15, 2019

TO: Mayor-Elect Lori Lightfoot  
FROM: Marisa Novara, Vice President, Metropolitan Planning Council

## Transparent, comprehensive planning that includes best practices for land use in Chicago

Chicago's land use planning practices are out of step with nationwide best practices. Below, we offer recommendations and action steps for reforms to Chicago's land use and ancillary practices, derived from our research into policies in Los Angeles, Minneapolis, Seattle, Philadelphia, and New York. Adopting a system of transparent, comprehensive planning that incorporates community engagement will move Chicago to be a more transparent, inclusive and accountable Chicago.

Note: Many of these ideas are aligned with and adapted from the Shriver Center's report *A City Fragmented*.

### Develop a comprehensive plan that prioritizes transparent and inclusive community engagement

The City has no comprehensive plan or clearly articulated citywide goals centered on the crucial issues of population loss, health, housing affordability and development grounded in racial equity. Unlike other cities, land use planning is currently done on a reactive basis when potential projects arise. This leads to fragmented efforts that do not align critical areas like housing, transportation and open space and are not fulfilling a larger strategic framework or vision for the city as a whole. This is also partially exacerbated by 50 aldermen making their own zoning and land use decisions, which can prevent the City from executing on larger citywide goals such as the equitable distribution of affordable housing. Further, community engagement around planning is not an integral part of the current way that City agencies function. It is inconsistent across and within departments.

The City should create a) a comprehensive plan for Chicago with community and stakeholder input that builds upon existing community-level plans and establishes a clear vision for the city; and b) an inclusive vision for public engagement that is embraced institutionally and executed by each agency. The process should be consistent across agencies and projects and operate within the core values of effective public engagement practice including two-way communication, collective learning and trust-building. To facilitate this, a new Mayor's Office of Community Engagement should be established to align and coordinate efforts across different agencies. Community engagement that builds trust between the city government and residents is key to ensuring that comprehensive plan results in creating a more equitable Chicago.

This comprehensive vision and plan, shaped by community engagement, should be created through the use of a racial equity framework supported by goals and metrics that allow the City to track achievements, progress, and alignment of subsequent plans. This

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vision should build upon existing neighborhood plans and shape the adoption of future neighborhood plans that align with the larger citywide strategy that would guide land-use decisions related to residential, commercial, transportation, parks and open space. Within the first 100 days, additional staffing and budgetary needs should be identified in tandem with an inventory of current and completed neighborhood plans. A taskforce should create the scope for a comprehensive plan that considers costs, timeframe, community engagement and funding sources. A completed plan, including the vision, strategic goals and metrics should be completed by the end of year two.

#### **Create timelines for passing zoning amendments through council**

Currently, aldermen can hold a land use application indefinitely in City Council's Zoning Committee with the potential to effectively kill a rezoning or permitting request without ever having to cast a vote. This power has been used repeatedly to thwart affordable housing development, and it reveals a deeper problem in how zoning happens in Chicago: there is no set timeline by which zoning or permitting processes have to move through the planning process.

The solution to this problem is simple and well-tested: create a clear, transparent timeline by which planning proposals need to move through Council, and create real consequences if no action is taken. New York's Universal Land Use Review Procedure (ULURP) provides a precedent. ULURP creates a transparent process and does not let its council members hide behind procedural maneuvers. Every development gets a fair hearing (or is approved). Any development that seeks a rezoning must have a decision from the community advisory board within 60 days; if no action is taken by the board, then the proposal advances. The borough president and City Planning Commission likewise get 30 and 60 days to review proposals; if no action, then the proposal advances to City Council. And Council, too, gets 50 days with a proposal. If Council fails to vote, then the proposal passes. Minneapolis has a similar timeline process, mandated by the State of Minnesota. Mayor Emanuel proposed an ethics reform package that set comparatively conservative timelines on zoning applications: the Zoning Committee would be required to vote on an amendment within 180 days. Yet this proposal was deflected by City Council. MPC recommends that the Mayor's Office establish legislation that sets common-sense parameters on this process; within the first year, an ordinance should be introduced setting timelines on the zoning amendment process. It should require that if introduced ordinances are not heard within the established time limits (unless an extension is *mutually* sought by developer and Alderman) then they are automatically approved (barring special circumstances that must be approved by the Department of Planning and Development (DPD)).

#### **Transfer permitting, signage, and other routine land use powers to DPD**

Chicago's aldermen have an inordinate amount of control over routine land use decisions: signage, permitting, right of way obstructions, parking permits, and construction permitting. Being the gatekeeper for all of these decisions provides opportunities for self-enrichment and corruption. Chicago's residents and businesses deserve transparent, accountable permitting processes. Non-discretionary permitting considerations should be made by DPD, which would serve as an impartial administrative body within the city that follows existing policy. Aldermen should set land use legal requirements, not focus on selective enforcement. New York, Minneapolis, Seattle, and Philadelphia all leave these decisions to their central planning department. Chicago should follow suit. Again, New York's ULURP is exemplary in setting clear, transparent processes with discrete timelines for addressing routine land use issues. Within the first 100 days, the City should scrub all departmental applications that require aldermanic approval on non-discretionary matters. For example, driveway permit applications should not require an alderman's signature, so long as that driveway meets legal requirements. Aldermen would be notified of the application, but the onus would be on them to raise a fact-based objection should they have one. Within the first year, the City should introduce an ordinance modifying relevant municipal code. The ordinance should remove aldermanic authority to administer code requirements and leave that review power

with the Department of Planning and Development or another City department. To enable DPD to take up this work, adequate funding should be appropriated in the 2020 budget.

#### **Eliminate requirement within DPD for a letter of aldermanic support to access city financing**

Chicago's aldermen are gatekeepers for access to public financing for affordable housing projects. While community input and the support of leaders can be an important tool for shaping neighborhood development, it can also be used to maintain segregation. The application instructions for DPD (now Department of Housing (DOH's))'s Multifamily Housing Financial Assistance program explicitly requires a letter of support from applicable aldermen. Without this letter of support, applicants do not receive the financing they require to create affordable housing units. This allows uncooperative aldermen in primarily white wards to block affordable housing developments by withholding approval.

Among the cities we have examined, only one required Council member support to access city funds, and this practice was stopped via lawsuit. Until 2018, the City of Los Angeles required all affordable developments to receive a letter of acknowledgment from the controlling Council member. This "pocket veto," as it came to be known, allowed council members to stop affordable housing units from receiving consideration because of the difficulty associated with getting financing. In 2018, the City of Los Angeles was sued over this requirement, and it lost. The California State Legislature passed a bill banning any such local requirements for letters of approval. Similarly, the Illinois Housing Development Authority eliminated their requirement for a local letter of support in their Qualified Application Plan in 2012. Within the first 100 days, any such letter of approval requirements should be eliminated. If this is simply an internal procedural requirement within DPD, then it should be immediately eliminated by DPD's Commissioner. If it is embedded in municipal code, then it should be routed out through City ordinance.

Note that many aldermen are likely to raise legitimate concerns about this step, as with aldermanic prerogative, over-limiting their means to shape local development. Several have noted to me that they weed out irresponsible developers and landlords by withholding support. MPC would welcome the opportunity to conduct further research with peer cities on how they have controlled for this consideration. At a minimum, aldermen should be able to register their concerns in writing with DOH regarding any developer or development.

#### **Establish a transparent, accountable Qualified Allocation Plan (QAP)**

The City of Chicago is alone across the country in its lack of transparency regarding its affordable housing financing criteria. The state of Missouri's is the only other QAP that does not use a public point system in establishing its criteria, and Missouri does instead have much clearer priorities, selection criteria and set-asides than does Chicago. The City has resisted calls to follow Illinois' lead in establishing either a points system or clear set-asides because of a stated desire to be as flexible as possible. The downsides are many: developers have no sense of City priorities and thus waste time and money designing potential projects, the City remains in reactive mode to proposals received rather than setting a citywide vision for what it intends to fund, and most importantly, it maintains a system of backdoor deals and favors which erodes trust in government.

Within the first 100 days, establish a group to define how a transparent, accountable QAP would work and have the Mayor and new DOH Commissioner announce the changes to the next round.

April 15, 2019

TO: Mayor-Elect Lori Lightfoot

FROM: Marisa Novara, Vice President, Metropolitan Planning Council

## Increase access to and supply of affordable rental units city-wide

- **A potential initiative:** Establish limits to aldermanic prerogative when it comes to affordable housing.
- **Why:** Unfettered aldermanic prerogative—the custom in Chicago’s City Council to allow each alderman to direct zoning and permit decisions within his or her ward—perpetuates segregation, creates disparities in how we invest in communities and invites political corruption. In some cases, it blocks affordable housing from being developed in higher-income parts of the city, while making affordable housing development more complicated and costly city-wide.

Chicago needs systemic changes to upend this system, but first, note that these changes only work in the context of a full-scale revamp of how zoning, planning and community investment functions for the good of the entire city. Second, the antidote to too much power is not zero power; many people at the community level are skeptical of the 5th floor having absolute power either. Aldermanic prerogative needs common-sense limitations so that residents can have a say but not veto a project for no factual reason, and that Aldermen can't deny or delay indefinitely for no fact-based reason either. Community residents and their elected officials should have a say in shaping their neighborhoods, but when it comes to affordable housing, community input should be in the form of how, not if.

- **How the new administration can infuse the values of equity, transparency, accountability, diversity and inclusion, and transformation in this initiative:** Equity, transparency and accountability can all be advanced through establishing limits to aldermanic prerogative with respect to affordable housing.

Ward-level control over zoning is the opposite of best practice. A 2016 study\* found that the greater the level of involvement by local government and residents in development approval, the greater the segregation. ***The City should revise the zoning ordinance to prohibit unrestricted ward level control over zoning.*** With a citywide comprehensive plan and commitment to racial equity, each zoning decision will be evaluated as to whether it is in accordance with the plan and advances racial equity.

Also, under the current system, aldermen can block affordable housing for any reason or no reason whatsoever. The development approval process needs transparency and accountability, and needs to adhere to citywide goals and policy for the equitable distribution of affordable housing. ***The City should create***

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***consistent guidelines for the development approval process that establish time limits by which a proposal must advance.***

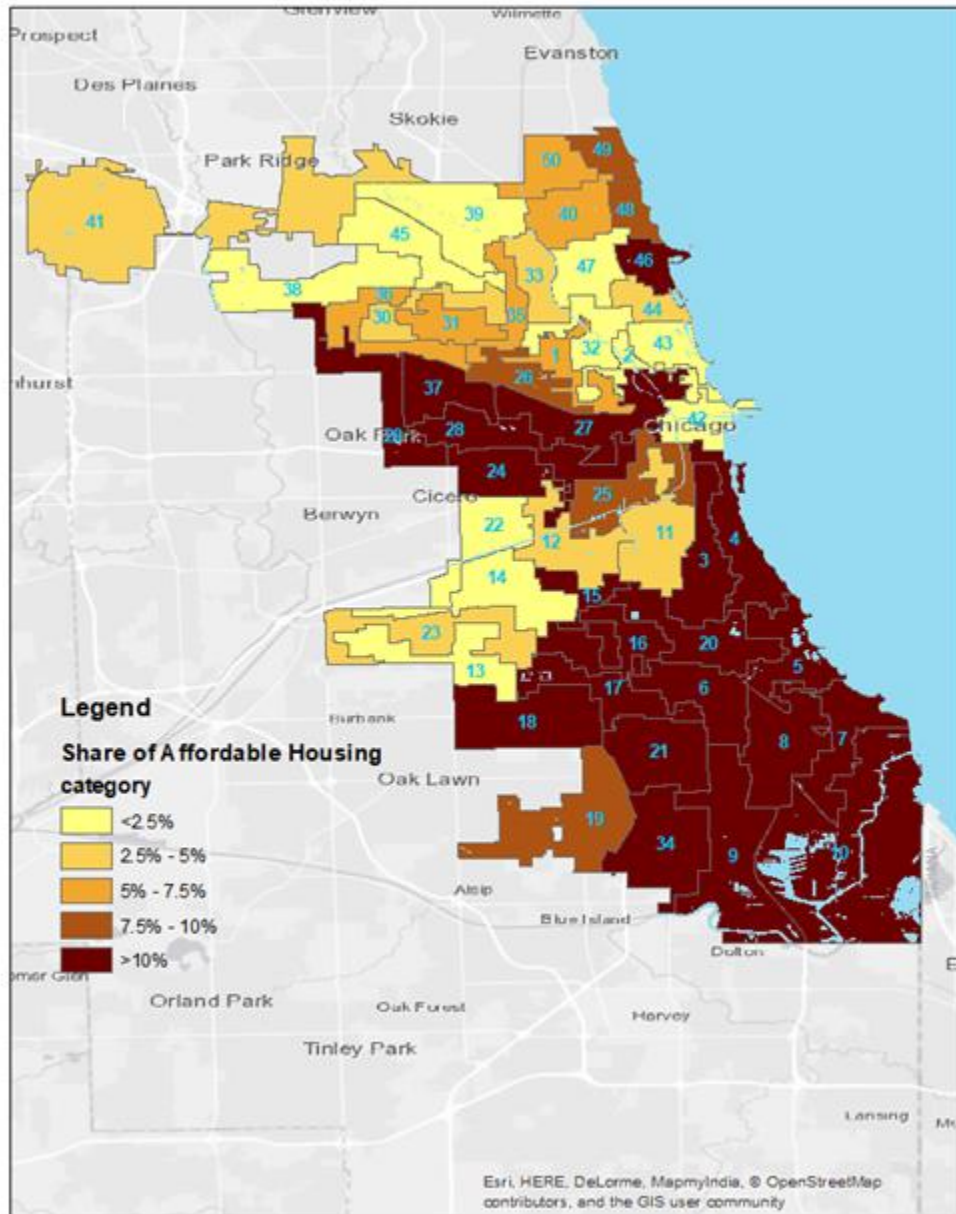
Last, before a development even gets to the point of being indefinitely delayed, many never make it past “Go” because of required aldermanic letters of support to be considered for city financing. As outlined in the Sargent Shriver National Center on Poverty Law’s report, [A City Fragmented](#), “Rather than obligate developers to secure aldermanic support, ***the city should require applicants to certify that their proposed request for financing is consistent with the city’s comprehensive plan.*** If an alderman opposes a project, they could submit comments based upon a set of specific reasons (such as the proposed project perpetuating segregation or being located in a flood plain). Local officials should be required to make public the reasons for their opposition and those reasons must be factual and clearly related to rational interests in the “sticks and bricks” of the project, and not the demographics of the residents of the proposed project.”

- **What is happening today that we need to keep:** The [Affordable Housing Equity Ordinance](#), introduced by outgoing Ald. Ameya Pawar (47) in July 2018 with 27 sponsors, provides a roadmap upon which to build. The AHEO would apply to any project with affordable residential units in a planned development or zoning change that triggers the ARO that is proposed in a ward where less than 10 percent of its occupied rental housing is affordable to persons at 60 percent AMI or below. When such a development is proposed, the Plan Commission or City Council must take action on the application within 90 days or it is automatically deemed approved. If rejected, it is referred to the Chicago Zoning Board of Appeals (ZBA). The ZBA must review the development application with fact-based criteria. The ZBA is the final decision maker, and they must document, in writing, the reasons for its decision.
- **What we need to implement in the next 100 days:** Form a task force to issue recommendations for the most comprehensive and actionable path forward. Likely members include City Council members active on these issues, real estate developers, policy, community development and community organizing leaders, data experts and land use/affordable housing attorneys.
- **What we can plan for longer-term implementation:**
  - **First Year Actions and Goals:** Guided by the task force recommendations, introduce and pass legislation that: Revises the zoning ordinance to prohibit unrestricted ward level control over zoning; Creates consistent guidelines for the development approval process that establish time limits by which a proposal must advance; Removes the aldermanic/community support and letter of aldermanic support requirement related to the review of affordable housing applications for public financing.
  - **First Term Goal:** Evaluate affordable housing development—in process and completed - in all wards, to measure progress toward a more equitable distribution of affordable housing.
- **What challenges we might encounter in executing on this initiative:** While the way that aldermanic prerogative functions is unwritten, legislative action by City Council is required to put the necessary parameters in place. We need simultaneous legislation to centralize more zoning decisions, thus bringing Chicago in line with other cities such as New York and Los Angeles, as well as a citywide comprehensive plan rooted in racial equity. Aldermen who are accustomed to the “Chicago way” and who see this as weakening local influence over development are likely to resist change. It will be important to acknowledge and applaud that some aldermen have used their prerogative to do more than the minimum on affordable housing, and be clear that nothing being proposed would prohibit them continuing to do that.
- **Why the time is right:** If the past year’s federal complaint and lawsuit against the city and proposed legislation to curb the excesses of aldermanic prerogative were not enough, the degree of abuse detailed in FBI investigations into two longstanding aldermen must be. Unfettered aldermanic



prerogative is not only a poor substitute for citywide plans and goals and perpetuates segregation, but also breeds corruption. If we will ever have the justification and political will to create citywide prioritization of affordable housing, it is now.

\* Lens and Monkkonen, Yang and Jargowsky, 2006



Name: Marisa Novara

Transition Committee: Housing

Objective: Raise revenue to increase funding for affordable housing and homelessness prevention priorities

- **A potential initiative:** Increase the City's financial commitment to affordable housing by returning to and exceeding prior corporate fund investment and raising new revenue through a graduated real estate transfer tax on high value properties.
- **Why:** Chicago has a shortfall of 120,000 affordable units. The last time the city had a stand-alone Department of Housing was 2008, at which point it received \$32.3 million in corporate funds according to the Chicago Rehab Network. The new 2019 Department of Housing is budgeted to receive \$4.3 million in corporate funds, an 87% reduction. By increasing much-needed city funds for affordable housing, we can begin to chip away at our housing shortfall. There are two actions the City should take: (1) *restore and ultimately exceed former levels of corporate funds by increasing resources by at least 90 percent*, and (2) *institute a graduated real estate transfer tax on high value properties*.
- **How the new administration can infuse the values of equity, transparency, accountability, diversity and inclusion, and transformation in this initiative:** Chicago has a real estate transfer tax of \$5.25 per \$500 of property value. This tax is not graduated, meaning someone who buys or sells a home for \$150,000 pays the same rate as someone who buys or sells a home for \$1.5 million. A graduated real estate transfer tax will promote equity by raising desperately needed funds for affordable housing. Because the tax is pegged to property values, only the highest-value transactions would cost more. In most cases, the buyer and the seller would pay less than they do now.
- **What is happening today that we need to keep:** In its 2018 Roadmap, MPC and the Center for Tax and Budget Accountability recommended instituting the graduated transfer tax to raise funds for affordable housing, which includes but is not limited to, homelessness. The Chicago Coalition for the Homeless and other groups have proposed a plan to generate \$150 million a year for affordable housing and services for some 80,000 homeless people. This is one of many versions of a proposed progressive real estate transfer tax that could get us over the finish line.
- **What we need to implement in the next 100 days:**
  - Establish task force to assess the two funding options and recommend paths forward
  - Mayoral announcement of restored or exceeded commitment to local funds for affordable housing in 2020 budget and plan for referendum
  - Informed by recommendations, meet with Aldermen to craft/revise legislation and referendum language
- **What we can plan for longer-term implementation:**
  - **First Year Actions and Goals:** Advance legislation and referendum; Advance and pass 2020 Department of Housing budget with corporate funds restored to at least 2009 levels
  - **First Term Goal:** Restore and exceed corporate funds contribution; Institute graduated real estate transfer tax with additional funds earmarked for affordable housing and services for the homeless

- **What challenges we might encounter in executing on this initiative:** Resistance from high-income homebuyers, real estate investors and commercial property owners; Misunderstanding and misinformation about a graduated real estate tax framework.
- **Why the time is right:** For the first time in a decade, the city established a standalone Department of Housing to signal the importance of affordable housing to the city by elevating it to a cabinet level. A new 5-Year Housing Plan, a new department and a new commissioner will accomplish little new, however, without increasing the city's financial contribution to affordable housing.
- **What will it take:** Increased corporate funds for affordable housing simply require a higher allocation to housing in the city's budget. This budget allocation is approved by City Council. For a graduated real estate transfer tax, the City of Chicago would need referendum approval in order to make the proposed changes to the tax structure. In both cases, an advisory group of affordable housing practitioners and policy advocates should be formed to work with the department in shaping the use of funds.

The graduated RETT structure proposed by MPC and CTBA:

Taxable value	Rate structure
<\$500,000	0.35%
\$500,000–\$1m	1%
\$1m–\$5m	2.5%
>\$5m	3.3%

Note that the structure is incremental, so only amounts above the cutoffs are taxed at the rates for each band.





April 15, 2019

TO: Mayor-Elect Lori Lightfoot  
FROM: Marisa Novara, Vice President, Metropolitan Planning Council

### Use racial equity assessment in decision making

- **Why:** The only way our region and its residents will reach their full potential is by dismantling the barriers that create disparities and inequities by race and income. It is essential for our growth and our shared prosperity. The government sector has a constitutional obligation—and statutory powers—to end the segregation of people, power and resources, and demand it of others as well. This means a commitment to not only creating new mechanisms to address disparities, but to changing the institutional systems that perpetuate them through ongoing staff training, equity assessments of any proposed initiatives and investments, and public accountability to progress on goals.
- **How the new administration can infuse the values of equity, transparency, accountability, diversity and inclusion, and transformation in this initiative:** By building racial equity assessment knowledge and capacity agency by agency, department by department. All staff—from teachers to police officers to judges to medical personnel—would receive implicit bias and individual/systemic racism awareness training and it would become a required component of new staff orientation. Trained staff should be able to self-select to be part of each agency's or department's "Change Team." These groups receive initial and ongoing training, help develop department level strategies to address issues of equity within the context of their work and lead in-department use of racial equity tools. Attention is paid to Change Teams reflecting a range of positions, race, gender, etc. to ensure the work is embraced throughout the organization.

Racial equity assessment tools can be employed immediately to analyze disparate impacts by race and plan accordingly on the front end, such as in proposed budgets, ordinances or other policy changes and in practices such as hiring and contracting. Measurable indicators of success/impact over time can be created for accountability. The City of Seattle and King County, Washington have pioneered the use of racial equity impact assessment (REIA) tools in government to augment decision-making and mitigate harm caused by unintentional bias and structural racism. The City of Seattle's commitment to equity was formalized by a resolution passed in 2009 that directs all city departments to available tools to assist in the elimination of racial and social disparities across key indicators of success.

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Other cities in the United States have already begun to implement policies like those recommended above: Seattle, New York City, New Orleans and Philadelphia all have in place racial equity frameworks from which Chicago can emulate and learn.

- **What is happening today that we need to keep:** The Chicago Department of Public Health has been successful in providing baseline training on understanding structural racism to their staff and partner agencies. CDPH has also invested in dedicated staff through their 2019 budget that will focus on operationalizing equity to advance the work of the health department.
- **What we need to implement in the next 100 days:**
  - Meet with CDPH and Cook County to learn about their work training staff, use of equity tools and partnership with the Government Alliance for Racial Equity (GARE)
  - Form a taskforce to study best practices by other cities working to implement an equity framework and draft an ordinance for the city's commitment to eliminate racial and social disparities through the use of equity tools and mandatory training of all city employees.
  - Meet with GARE to scope out a potential partnership.
  - Seek funding for this work from philanthropy
- **What we can plan for longer-term implementation:**
  - First Year Actions and Goals: Pass a "Chicago Equity & Social Justice Ordinance"
  - First Term Goals: All city employees trained in implicit bias and understanding structural racism starting with elected officials; Establish an Office of Equity and Social Justice and Chief Equity Officer that reports to the Mayor.
- **What challenges we might encounter in executing on this initiative:** Resistance from longtime city employees and aldermen who don't see anything broken to fix and/or "don't see color." Resistance from groups who see themselves as likely to be on the losing end of racial equity assessments.
- **Why the time is right:** In the last few years there is a heightened conversation around issues of race and equity. Nonprofits, philanthropy, corporations and government agencies have embarked on honest assessments of their position in maintaining systems that hold inequities in place. In Chicago, disproportionate fines and fees in communities of color, black population loss and police/community distrust are all signs of the need to embrace a racial equity framework. A new mayor who advances equity is the right leader to bring this change to city government at a time when equity is at the center of public discourse.
- **What it will take:** Addressing racial inequities will require the cooperation of the Mayor, City Council, City Commissioners and agency heads. Partnership with the Government Alliance on Race and Equity will also be essential.

**TO:** Mayor-Elect Lori Lightfoot

**FROM:** Mark Skender, CEO, Skender

**PROMPT:**

**Objective:**

Our objective is to increase the supply of affordable rental units city-wide, addressing one of the most pressing issues facing Chicagoans today.

**Introduction:**

Thank you for the invitation to serve on your Housing Transition Committee. I sincerely appreciate the opportunity to be included on your team and provide my perspective on future housing policy. I am the owner of a Chicago-based construction company, Skender, which has been active in affordable housing development for decades. Skender is ardently working to revolutionize the building industry and solve Chicago's affordable housing crisis with uniquely integrated modular building solutions. Our innovative design-manufacture-build approach is sparking great attention; as such, we have a vested business interest in local housing policy in alignment with your own. Our unique perspective as a firm that's employing the latest technology and manufacturing methods could be valuable as the committee considers new approaches. Our expertise in constraining costs and reducing wasted resources in construction, in particular, addresses the key challenges outlined in this memo.

**Problem Statement:**

The construction and development industry suffers from serious challenges, including: (1) The total cost to deliver a unit of affordable housing, including construction and soft costs, is unacceptably high and will continue to grow; (2) The amount of units being delivered on an annual basis falls significantly short of demand; and (3) The time it takes from an issuance of an RFP to turning over the affordable units takes many years and drains significant resources in the process. This problem is not unique to Chicago, but a national one. Unless the collective affordable housing community rethinks how affordable housing is delivered, these challenges will not go away. Advances in steel-based urban modular building are expected to make a significant impact on affordable housing though the full benefit can only be realized through an innovative public-private strategic relationship.

Most of the challenges listed above stem from an archaic industry that has not improved outcomes or productivity in 50 years. The industry continues to start housing projects by "recreating the wheel" every time, utilizing a highly fragmented and contractually unaligned business model. While other industries continually improve their product, speed to market, productivity, features, and cost, the development, design and construction sector remains embedded in a dysfunctional delivery model. The best and most detailed analysis of industry's challenges is provided in a 168-page report by McKinsey & Company ("Reinventing Construction: A Route To Higher Productivity," February 2017). In summary, the industry is ripe for positive disruption and government has a key role to play in enabling that improvement, which is explained more below.

**Solution:**

On May 28, 2019, Skender's factory, located at 3348 S. Pulaski, will start producing its first modular buildings for currently vacant city lots. The first production order is for 10 three-flats in the 22<sup>nd</sup> Ward that we will have fully delivered well before the end of the year. Our factory will have an annual capacity to produce more than 2,500 high-quality, code-compliant units. We have worked with the current

administration to have pre-designed and pre-permitted buildings to deliver housing units within weeks of the order. As with any manufacturer, greater scale and standardization can reduce cost over time. Even more critical, and the largest obstacle to success, is the ability to optimize factory operations by ensuring continuity of demand. Our studies show that if scale and continuity of demand can be solved, modular housing will succeed and, as a result, the desired outcomes above will be achieved. However, Skender, or any modular manufacturer, will not be able to achieve scale and continuity of demand alone. It will take a public-private collaboration to ultimately achieve the goals.

(a) What is happening today that we need to keep?

- a. Our bold and risky decision to open a modular housing plant in Chicago was predicated on a city administration that was progressive and open to our innovative approach to transform how housing is delivered. Building Commissioner Judy Frydland and her team have been actively engaged with our team and our plans. I strongly recommend keeping Commissioner Frydland in place and giving her the autonomy to deliver on goals #5 and #10 in the Lightfoot affordable housing white paper.

(b) What we need to implement immediately, or within the next year?

- a. To achieve scale and continuity of demand, Skender proposed an ARO framework to representatives of DPD that proposed pooling ARO in-lieu fees from market-rate housing developers to subsidize off-site affordable housing. As scale is attained, the total cost of new affordable housing units will be reduced and, subsequently, the ARO subsidy would also be reduced. The outcome would be to sell the units to nonprofit developer-operators through conventional market-funding vehicles. To create collaboration and goal setting, the total development cost would be transparent. As the ARO framework was developed by Skender, and requires further study, we recommend a group from the DPD, financial sector, market-rate developers, nonprofits, etc. to study the framework. If successful, the framework would leverage ARO to maximize the production and scale of affordable housing units and begin to rapidly fill vacant city lots. At the same time, we recommend examining other funding mechanisms and city lot land banking to ensure continuity of demand for modular housing production.

(c) What we can plan for longer-term implementation?

- a. Since prior five-year housing plans have typically failed to deliver the amount of affordable housing needed, we suggest preparing a comprehensive development and growth plan for greater Chicago that includes a housing strategy that overrides aldermanic prerogative.

We at Skender, validated by McKinsey & Company research, strongly believe that, through a bold and innovative approach to the design, engineering, manufacturing, and construction of housing, total cost can be significantly reduced, and quality and speed-to-market can be significantly increased. Our approach is a real solution. At the same time, we have taken a risk because the housing problem is so great that we hope the affordable housing community, including government, will support our efforts. When our initiative succeeds, it will certainly spawn competition, which will be good for Chicago. If we fail to realize the potential of our business model due to a lack of public-private collaboration, it will be a long time before it is attempted again. The opportunity is now for a new mayor and a bold new approach to housing to make a significant impact on the future of Chicago.

Mark Skender

Name: Nicole A. Jackson

Transition Committee: Housing

Objective: Increase access to and supply of affordable rental units *in livable communities* citywide

Date: April 15, 2019

**Initiative:** Create a citywide Development Plan that assists residents, community organizations, developers and the City in the creation and preservation of affordable housing and the development of diverse infrastructure to support such housing (e.g. commercial, cultural, transportation, schools). Such Plan would: (i) include each neighborhood in the City; (ii) compare each neighborhood's existing assets (e.g. vacant parcels, historic institutions or structures, robust commercial development (or potential for same), significant subsidized housing) with the neighborhood's current needs, either by (a) referring to and refreshing any existing neighborhood development plans, or (b) crafting a neighborhood development plan; and (ii) contain specific action items designed to address those neighborhood needs, including the following:

- identifying and replicating best practices of neighborhood organizations across the City with a track-record of creating housing, commercial and community facilities designed to address a neighborhood's specific needs (e.g. #1 the SWOP – Reclaiming Southwest Chicago Initiative, unifying the African-American and Latino communities, addressing the foreclosure crisis by partnering with local contractors and for-profit developers to create affordable homeownership opportunities, creating local jobs, supporting the local schools, and mobilizing around immigration issues; and e.g. #2 Chicago Neighborhood Initiatives – Pullman community, taking vacant parcels of land and developing community, retail and industrial sites, creating jobs, preserving homes for affordable ownership, micro-lending, and celebrating the history of the Pullman community);
- integrating innovative, market-sensitive, collaborative initiatives like the Preservation Compact, which deploys strategies (e.g. rental subsidies and financing) for tenants, landlords or developers responsive to market needs in communities;
- leveraging limited public financial resources and strategically distributing such resources across the City to create the most dynamic impact based on identified neighborhood needs;
- partnering with IHDA, CHA, and Cook County, to pool financial resources in an inter-governmental participation agreement, with the City acting as agent, to lower transaction costs and expedite the closing and financing process; and
- assigning and empowering City employees to work with neighborhood stakeholders to execute (and continually refine) the Plan, as it pertains to such neighborhood, and evaluating such employees by their engagement with these neighborhoods and successful execution of the Plan.

How do we infuse the values of equity, transparency, accountability, diversity and inclusion, and transformation in this initiative: What is remarkable is the fact that only recently have we begun an honest public dialogue about the history of segregation in this City, specifically the impact of red-lining, racially restrictive covenants and installment contracts on the South, West and North sides of the City. The Administration needs to confront this history, talk openly about how it has carved our City into "opportunity areas", which are becoming more affluent and exclusive, and "disinvested areas", which are overwhelmingly black/brown and located on the South and West sides with little opportunities for economic mobility and inter-generational wealth creation. The Administration's actions going forward need to retain that awareness, boldly confronting that history with robust, comprehensive strategies tailored to meet the unique needs of our neighborhoods. Until our leaders reckon with our past, as part of our vehicle for moving forward, we, as a City, will continue to pedal in place, only putting band-aids on gaping wounds, suffering from continued population loss, a city of harsh extremes, where we all suffer.

The Administration should continually evaluate its housing and development mission, with both an

historic and visionary lens, ensure different voices are around the table through active community engagement, establish timelines and metrics that are tracked and reported, and take risks by thinking differently and acting boldly.

What is happening today that we need to keep: In addition to supporting the efforts on the Southwest side and in Pullman and other neighborhood-based comprehensive development initiatives and collaborative efforts like the Preservation Compact, the City needs to encourage commercial development in South and West side neighborhoods. The City, CHA, and IHDA have invested significant public resources in developing affordable housing in our South and West side neighborhoods. Largely driven by the long reach of redlining and segregation, those neighborhoods have a disproportionate number of subsidized units, compared to the balance of the City. To ensure the long-term viability of those historic and significant housing investments, the Administration should marry those efforts with additional investments that create commercial, industrial, and cultural facilities, to stem any further population loss and improve the livability of those neighborhoods. The Administration should encourage more efforts like the CHA's sale of its land to developers to build commercial facilities like the Marianos in Bronzeville, to bolster communities with robust affordable housing but not much else. CHA, in turn, can use the funds generated from such sales to provide rental subsidies to its residents both in these communities and in opportunity areas, or to acquire property in other areas of the City. African-Americans are abandoning these communities in record numbers (largely driven by the lack of investment in anything other than housing and the lack of nearby opportunities). Such initiatives would combat what Pete Saunders refers to as "displacement through disinvestment". This population loss is the "canary in the coal mine".

What do we need to implement in the next 100 days: The Administration should set the tone – the situation is critical and timely execution is key. The City must be viewed as a partner in addressing the needs of our neighborhoods, so that the mantra across the City becomes "the City is a true partner in creating livable neighborhoods". In the next 100 days the Administration should adopt a plan and timeline for:

- conducting a neighborhood by neighborhood community inventory and needs assessment (or reviewing those that have recently been done);
- streamlining the path to closing to (i) produce more affordable housing and other community development facilities by expediting permitting, vacation, subdivision, and other zoning approvals; creating an on-line electronic EDS system that allows companies to file an EDS once a year and link new projects to the filing; and (ii) preserve existing affordable housing (such as expediting approvals and execution of refinancings designed to improve the financial picture of projects and ensure the long-term viability of affordable units);
- introducing better technology resources;
- expediting City Council approval by going from Finance Committee directly to City Council;
- consolidating the DPD, zoning and finance design review process;
- coordinating PD and financing approvals, such that the PD approval process does not delay obtaining permits or closing.

What can we plan for longer-term implementation: A citywide Development Plan, in conjunction with a transparent Qualified Allocation Plan.

What challenges we might encounter in executing on this initiative: (i) Aldermanic and agency push-back (turf protection); (ii) getting bogged down in getting the written plan/articulation precisely right, rather than getting the units /facilities built, rehabbed or preserved; (iii) the perception of many that housing affordability and preservation are not my issues (NIMBYism); (iv) community distrust. People in disinvested communities, especially on the South and West sides, have tremendous distrust of big institutions, government, and outsiders, with good reason, given our history. The City must earn back that trust. That process is going to be challenging but not impossible.

**Mayor-Elect Lori Lightfoot  
Housing Transition Committee  
Co-Chair – Hipolito “Paul” Roldan  
Suggested Strategies to Meet Affordable Housing Objectives**

**Property Taxes**

The economic viability of existing affordable housing in Chicago is threatened by increasing property taxes. Now that all multi-family properties are assessed at 10%, Class 9 abatement for affordable housing no longer offers tax reductions. A potential solution to the affordable housing crises in Chicago would be to pass legislation at the County level (an ordinance with a simple majority vote) which would waive property taxes for affordable housing. Wisconsin, Florida, Texas and California have successfully implemented laws that have eliminated property taxes for existing and future affordable housing. If affordable housing is an important social benefit for working poor in our society, why burden it with taxes?

**Davis-Bacon Wages**

Affordable housing development has a distinct competitive disadvantage which is the federal requirement to pay construction employees “prevailing wages.” In Chicago, this means union scale wages, or on average \$65.00 per hour, even while market-rate neighborhood builders are paying skilled tradesmen \$25 - \$30 per hour. There is a HUD regulation that allows the Secretary of HUD to waive Davis-Bacon requirements “for emergency reasons.” It seems our affordable housing crises is “Paris-like” — Chicago is such an emergency.

**Chicago Housing Authority**

The CHA is the third largest housing authority in America, and although Latinos constitute a third of Chicago’s population, its participation rate in CHA programs is only slightly over 6%. CHA is the only source of subsidized rent vouchers for low-income families and has a ten-year waiting list which is virtually devoid of Latinos. A process to achieve equity in CHA programs needs to be a priority.



### **Manufactured Housing**

The use of factory-built housing components or modular housing around the world has established an "industrialized construction" scenario which is rapidly replacing on-site construction and establishing substantial efficiencies and reduced costs. For affordable housing, a 20-25% cost reduction could mean the difference in a viable development. These new technologies should be explored and welcomed to experiment in our communities.

PR/April 9, 2019



## Memo Template

Name: Rob Grossinger

Transition Committee: Housing

Prompt: Affordable Home Ownership

❓ A potential initiative (please describe in one sentence) that the memo advocates for. Increasing the supply of housing stock available to serve as sources of affordable homeownership.

❓ How the new administration can infuse the values of equity, transparency, accountability, diversity and inclusion, and transformation in that initiative

There are systemic issues facing the supply of housing stock available for affordable housing that limit such supply. By viewing certain process and programs through the lens of equity and transparency, they can be transformed to serve a bigger, more housing needy population.

This memo will only address the issue of the supply of housing stock as opposed to anything in the financial sector. Mortgage credit tightness, mortgage interest rates, down payment requirements, low dollar amount mortgage loan availability are all issues for another paper. Without an adequate supply of housing stock, efforts at affordability become over-burdened by the need for extensive government subsidy. Finding increased housing stock that could be rehabilitated for affordable homeownership is the key first step to increasing those numbers.

Briefly, since 2009, approximately 5.5 million homes nationally have transformed from homeownership to rental due to the heavy influx of private capital to buy up foreclosed homes or delinquent mortgage notes and operate them as rental properties without much concern about conditions or affordability. Billions of private equity dollars have been invested in this money-making model since 2009. Chicago has seen its fair share of this activity. Counteracting this trend would be beneficial to local neighborhoods being transformed into rental communities that once were predominately owner-occupied and increase affordable housing.

There are a few areas that could be specifically addressed. Private equity funds are buying pools of distressed mortgage notes without any City involvement or oversight. These pools come from FHA, Freddie Mac and Fannie Mae. This means that thousands of properties where the homeowner is delinquent will have

their mortgage bought by private funds that want to maximize profit. They will do less to save the homeowner and will do less to return the property to the condition of quality rehabbed affordable housing. Both FHA and Freddie Mac are currently holding nonperforming mortgage note sales without any City of Chicago interest, participation, or oversight in the outcomes. The buyers of these notes do not care about our neighborhoods, affordable housing or the City. These sales take more houses off the market for homeownership and rob the City of more housing stock to rebuild homeownership and the corresponding neighborhoods. Second, the County's tax sale process favors a certain segment of investors/lawyers who buy up tax certificates or tax deeds. Any attempt to reform this area to increase the number of houses that can end up in local nonprofit's (or more responsible for-profit developers) hands for quality rehab and affordable resale has been thwarted. Cook County Commissioner Bridget Gainer and others in the affordable housing field have tried to reform this process, to little or no avail. Losing thousands of homes to speculators robs Chicago of the opportunity to revitalize these properties for affordable homeownership opportunities. Lastly, from a capital perspective, the missing piece in revitalizing neighborhoods and providing affordable housing opportunities is gap financing for developers of single family housing. Even if the developer could buy the home for a \$1, the cost of quality rehabilitation will exceed the resale value of the finished product in many neighborhoods. To address this gap, long term affordable capital must be brought to bear on this missing financing piece.

- What is happening today that we need to keep: For this precise topic, nothing.
- What we need to implement in the next 100 days
  - Hold meetings and if necessary, hearings to reform the property tax sale process with the intent of using "lost to tax sale" homes for affordable homeownership.
  - Have the Housing Department commit time to learn the nonperforming mortgage note arena and make sure the City of Chicago's interests are taken into consideration in the structure and outcome of these sales. Chicago's neighborhoods have been getting hurt for years by absent equity funds managers buying these notes then foreclosing to own these properties not for the benefit of the neighborhood. Also, investigate the outcomes from prior purchasers' activity. What happened to those properties?
- What we can plan for longer-term implementation: Capital formation to plug

the appraisal gap discussed above.:

- What challenges we might encounter in executing on this initiative: Strong political resistance to changing the tax sale program for the greater good. It's quite lucrative for those who now "control" the outcomes and they don't want to give that up.



CHICAGO METROPOLITAN

Housing Development Corporation

225 W. Wacker Dr., Suite 1550, Chicago IL 60606 (312) 422-1680

April 15, 2019

To: Mayor-Elect Lori Lightfoot

From: Rafael Leon, Executive Director, Chicago Metropolitan Housing Development Corporation (CMHDC)

Transition Committee: Housing

Objective: Increase access to and supply of affordable rental units city-wide

Different city administrations have been confronted with the fact that there are very limited resources to support the development of affordable housing while the demand for affordable units has increased. This may be in part because construction costs keep increasing and the focus has been in producing subsidized housing using traditional financing tools. The reality is that unless private owners are engaged in providing affordable housing, it will be very difficult to reduce the shortage of 120,000 units using traditional approaches. We need to be creative about creating and preserving affordable housing.

What is happening today?

In addition to the traditional government subsidized housing, there has been a new trend in the last couple of years: naturally occurring affordable housing or NOAH. CMHDC, the non-profit housing organization that I've run for the last 23 years, has specialized in providing affordable housing without substantial government assistance. Our mission is to provide affordable housing to tenants at or below 80% of median income, and we have been able to do this with minimal government assistance. Based on our long standing development model and with the support from Communities United, the Department of Planning and Development developed a new program in 2018: Preservation of Existing Affordable Rentals (PEAR) to refinance and "buy" an interest in some of our properties because they are located in areas with substantial displacement of affordable housing. This program should be expanded and funded to attract private property owners. It is more cost efficient than producing brand new LIHTC units. Another way of viewing this is that the City becomes a partner with private property owners to secure affordable housing.

What can be done immediately?

- City should expand the PEAR program by providing low/no interest second mortgage loans to buy an interest in a number of units in a property. At a potential cost of \$175,000/unit this effort is more cost efficient than other programs that are burden with more stringent regulations.
- Use money under the ARO to expand this program.
- Market the program to help organizations and individuals finance the acquisition of "market-rate" buildings that could then have a number of restricted affordable units. The City would then be able to count those units towards the affordable housing units in the city.
- Work with banks to market this second mortgage program so they use their client base to encourage participation. The City and the banks should develop the terms of the City's participation in this program.
- Loan programs should match the Low Income Housing Tax Credit use restriction of 15 years, and give an opportunity to the property owner to exit after year 15. To make this program attractive to an individual, there has to be an exit strategy after a reasonable period. For most property owners of small buildings, an investment in real estate represents a legacy to his/her family and if they do not have the ability to exit a program after a reasonable time, then they would not participate. Once a property owner

exits the program, the City gets repaid its investment (a portion of the principal and interest) and use the proceeds to buy an interest in other buildings. Repayment of the loan should be commensurate to the term of the loan but also account for appreciation of the property. The longer a property remains in the program the lower the interest rate and repayment requirements.

- Restriction on the number of affordable units should be proportionate to the investment the city makes in the transaction. In other words, the restricted units could be spread among different income levels such as 25% of the restricted units at 50% of Adjusted Median Income (AMI); no more than 50% of units at 80% of AMI; 25% of units at no more than 120% of median income. This break down allows for a mixed income building and equity distribution of units that help all income levels.
- Increase City's participation in equity funds that finance affordable housing.

What can be done in the longer term?

Marketing and education. Develop a marketing campaign that educates the general public about affordable housing. There is a misperception that affordable housing equals subsidized housing and that affordable housing is housing for the poor. The reality is that a family of 4 making up to \$67,000+/year qualifies for most programs that fund affordable housing. The general public doesn't know that, and they need to be educated about who qualifies for affordable housing.

Challenges implementing this initiative

The biggest challenge may be many community residents who are afraid of affordable housing residents. They may believe that affordable housing is only housing for the poor, or people who do not work, or that it is subsidized housing. That stigma should be eliminated and one way of doing so, is by educating the general public about who qualifies for affordable housing, and emphasizing the benefits of affordable housing in communities.

Other ideas:

- Set limits for the cost of building affordable housing. The cost of building an affordable housing unit is excessive when compared to private developments. The city ought to explore ways of controlling those costs, maybe negotiate agreements with labor unions about reducing the costs for building affordable units.
- Allocate funds to new construction and rehabilitation of existing housing proportionately so the city takes advantage of exiting units in the private sector.
- Work with aldermen to support affordable housing in their wards.
- Market "affordable housing" as "housing for all Chicagoans"
- For the last 20 years, the CHA has relied on the LIHTC program in addition to its own funds to redevelop public housing, thus limiting the funds to develop affordable housing in other areas of the city. Many residents are income qualified for tax credit units, but they are not qualified for public housing because there is an extensive waiting list for public housing. Revisit this approach as other areas of the city are also in need of affordable housing
- Encourage private investment of commercial and industrial activities in depressed areas that will trigger some type of revitalization and attract more residents.
- Except for debt service, electricity, gas, water and real estate taxes are the highest expenses in the operation of affordable housing. Work with the utility companies, water department and the Cook County Assessors to provide a discount/credit on their bills as long as affordable units (certified by the city) are provided in any given property.
- Allow for exiting illegal units (mostly garden and basement units) to be converted to legal affordable units provided they meet the building department code.
- Revise zoning requirements to exempt parking requirements for buildings where vacant spaces are being converted to residential affordable units.



**Date: April 15, 2019**

**To: Mayor-Elect Lori Lightfoot**

**From: Raul Raymundo, CEO, The Resurrection Project**

**Re: Housing Transition Committee Memo on Increasing Access to Affordable Homeownership**

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**Create a comprehensive initiative to build affordable homeownership opportunities on a large scale in order to transform communities, especially in areas that have significant vacant parcels of land, and assist current renters to become homeowners.**

Chicago faces a homeownership crisis. The rate of homeownership in Chicago is 43.7% compared to the national average of 63.1% (Data USA 2016). While the nation's homeownership rate has increased since the recession of a decade ago, Chicago's has declined. For Blacks and Latinos the crisis is even more severe. Homeownership rates for Blacks (39%) and Latinos (50%) are significantly less than white homeownership rate (74%) (Chicago Tribune Gail Marks Jarvis 2017). When done right, homeownership represents wealth creation, stability, community ownership, pride, self-confidence, growing economy etc. To address this crisis, Chicago needs a bold plan that will allow the City to catch up to the nation's homeownership rate. To this end, several thousand new homeowners need to be created over the next decade. Such an endeavor requires at least 100 days to plan.

**First 100 days:**

Create a blue ribbon commission with direct access to Mayor Lightfoot to develop a practical strategic plan to create new affordable homes for homeownership at a large scale. This plan should include new construction and existing homes that need rehab.

The commission should begin by doing a scan of many good ideas and initiatives that professionals are already working on. Key to this effort is the synchronization and coordination of these ideas with industry leaders. The following **tactics** (in no particular order) are essential to any plan created by the blue ribbon commission. These tactics are by no means exclusive, and more need to be identified.

**1. Financial education/coaching and homeownership preparation**

Communities of color endured the worst during the recession due in large part to predatory practices. Although the recession is over, these practices are still prevalent in minority neighborhoods. Any new City-wide homeownership program should require home purchasers to attend a well-designed and robust financial education and coaching program to learn not only how to buy a home, but to also learn how to maintain and sustain it over the life of their mortgage loan. In other words, by buying a home the right way, families will understand available economic opportunities and strategies for building wealth and community ownership.

**2. Promotion of community assets, people, and positive stories that exist in neighborhoods**

Often what comes out of depressed communities is only negativity. To create a more conducive, livable environment for existing residents in challenged neighborhoods (as they welcome newcomers), a rigorous effort must be launched to identify and promote the positive characteristics of a community.

**3. Design an affordable housing product**

There must be synchronization and coordination of the innovation that already exists within community groups, for-profit and not-for-profit developers, contractors, manufactured home builders, unions, and appropriate City departments, and agreement to create modestly priced homes ranging from \$150k to \$175k for single family homes, and up to \$250k for two-unit models.



#### **4. Investment fund (not operated by City) to finance multiple developments simultaneously**

When successful, the need to finance multiple large-scale projects in different neighborhoods will be essential to spurring development and transforming communities. Depending on the neighborhood, the scale of new development should be significant. In other words, a minimum of 500 units. The City should work with entities, such as CDFIs, that can leverage private capital for such fund.

#### **5. Subsidy fund to assist families to purchase a home**

The subsidy should be limited to participants who complete a comprehensive financial education and homeownership program and be allocated on a sliding scale basis. The subsidy should be made available to households earning up to 150% of the area median income (\$88,950 for an individual; \$126,900 for a family of 4). Households above 150% AMI should not be eligible for any subsidy. The subsidy should be limited to a maximum of \$50,000 for any one household. Deed restrictions up to 10 years should be applied in order to prevent the flipping homes. Also, depending on the accelerated appreciation of a home, a percentage of the subsidy should be recaptured and made available to future buyers. For households earning more than 150% AMI, other programs can be identified, such closing cost assistance.

#### **6. Assembly of public land**

Critical to the development of affordable housing is the cost of land. The City should put a moratorium on selling any land it owns and create a plan to make land available in alignment with the strategic plan. This effort needs to be coordinated with other public authorities such as the Cook County Land Bank.

#### **7. Assembly of homes to be rehabbed**

Throughout the City, there is still a large inventory of homes that need rehabbed. Specific tactics need to be incorporated, depending on the neighborhood.

#### **8. An expedited process to accelerate developments**

An expedited process to approve building permits, plans, waivers, etc. needs to be created in order to accelerate the creation of homeownership developments. Unnecessary bureaucratic processes need to be eliminated.

#### **9. Convening of private lenders, CDFIs, mortgage brokers, and others to make competitive mortgage products available**

Long-term affordability is often determined by the end financing/mortgage to the borrower. The financial industry needs to be convened from the start and put to task to make competitive loans available to families purchasing a home through this initiative. In some situations and in certain markets, lenders need to be challenged to make loans available when the home does not initially appraise for the total development cost (i.e. the cost to build or rehab the home). The more lenders that participate in lending to low- and moderate-income households, the lower the risk for all.

#### **10. Community celebrations upon occupancy by homeowners**

The success of this initiative should be celebrated at various levels. Notably, some of the most important celebrations are house warming events where family, neighbors, and friends celebrate being owners of the community in addition to owners of their new home.

All of these tactics are in alignment with Mayor Elect Lori Lightfoot's values of equity, transparency, accountability, diversity, inclusion, and transformation. The homeownership crises should be taken seriously, and with urgency, in order to transform the City. Mayor Lightfoot should engage a foundation to fund a strategic planning process for the next 100 days. The commission should meet every two weeks for the next 3 months and submit a plan to the new mayor by day 90. Such plan should be practical, but catalytic, in order to begin execution on day 101 of her administration.



## **MEMORANDUM**

**To: Mayor-Elect Lori Lightfoot**

**From: Raul Raymundo, CEO, The Resurrection Project**  
**Lori Lightfoot Housing Transition Committee Memo**

**Date: April 15, 2019**

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### ***Increase access to and supply of affordable rental units city-wide through a Pairing concept***

Modify the ARO ordinance to require a city-wide 20% affordable set-aside instead of the current 10% affordable set-aside (5% minimum on site should be required). Modify pilot ordinance(s) and create an initiative that “Pairs” Market Rate Housing developments directly with Affordable Housing developments to accelerate the preservation and creation of affordable rental housing units.

“Pairing” of developments will create an environment where Affordable Housing Developers (AHDs) and Market Rate Housing Developers (MRHDs) are jointly teaming up to accelerate developments.

This initiative will address the twin challenges of dealing with displacement in rapidly gentrifying areas and spurring development in depressed neighborhoods. The pairing of MRHD and AHD will unleash their expertise in their respected areas of emphasis to focus on unit production city wide. By working together both the MRHD/AHD will be accountable and transparent to each other and the city to produce more units.

With the Pairing concept MRHD resources generated (in-lieu fees) should be allowed to directly be invested as equity/grant funds into AHD’s shovel-ready projects to preserve and/or build new units. The guarantee investment of the equity/grant upfront will allow the AHD to be more innovative in leveraging financing to ensure that 20% gets built simultaneously to the speed and development of market rate housing units. Currently, production of affordable units on site or offsite has not proven feasible and thus the Pairing concept will create a new path to speed up production of affordable units.

The potential outcomes of this initiative are in alignment with mayor-elect Lightfoot’s values of equity, transparency, accountability, diversity, inclusion, and transformation.

#### **Values of Equity:**

The Pairing concept will empower MRHD’s and AHD’s to jointly plan through an equity lens which will prevent displacement and zero in on communities that need development; thereby channeling resources directly to greatest need areas.

#### **Transparency:**

The Pairing concept will strengthen the ability of both MRHD/AHD to be transparent with the community, the city and each other in all development projects. In other words, by working together and playing to their strengths, more stakeholders will be engaged and informed in each development. It will strategically allow for more community input on developments to prevent “not in my back yard” or NIMBYism.



**Accountability:**

Accountability will be elevated with this initiative as a result of alignment of goals to produce more units. The AHD and the MRHD will mutually hold each accountable to produce the equity directly to an affordable housing project in a responsible and timely manner.

**Diversity and Inclusion:**

The concept allows for the creation of more diversity and inclusion in the development ownership structure by forging partnerships between non-profit developers and for-profit minority developers (which typically serve minority or disadvantaged groups) with the MRHD to increase the supply of affordable housing units through the city. The paring will add capacity to not for profit developers and create economic opportunities for minority developers.

**Transformation:**

The ability to pair both MRHD's and AHD's on projects would allow for a faster creation of units in areas where the capital or investment might otherwise not happen. The current process stifles and/or delays development as a result of ARO in lieu of fees passing through the DPD and thereby adding another layer of bureaucratic review based on an unclear rationale for allocating funds. This initiative will create a transformative process to deliver more units faster to gentrifying communities and under developed neighborhoods and often more cost effective with an equity lens, more accountability and more diversity and inclusion.

**What is happening today that we need to keep?**

- Used demonstration pilot programs to explore this paring initiative to accelerate production and preservation of affordable housing units

**What we need to implement in the next 100 days:**

- Identify AHD's and MRHD's willing to work together with "shovel-ready" projects in pilot areas to spur more affordable units in an accelerated way comparable to market rate production by end 2020.

**What we can plan for longer-term implementation:**

- Amend the ARO to set aside 20% affordable with a minimum of 5% site on affordable development;
- Building of infrastructure and interaction between affordable and non-profit developers to leverage and produce more units faster in a more streamlined fashion; and
- Establish policies and objectives to promote affordability through the city while also creating incentives to develop more and faster units in areas that are at most at risk of gentrifying.

**What challenges we might encounter in executing on this initiative:**

- An Alderman's pushback as a result of not having a say in the paring of AHD's and MRHD's on merit and alignment of goals;
- Potential NIMBYism who do not want affordable units in their neighborhood and/or from groups who perceive that new developments will displace them in under developed neighborhoods; and
- Less availability of funds from ARO's for other programs and/or for areas of the city not covered by strong not for profit developers pairing relationships with for profit developers.

April 4, 2019

To: Housing Transition Committee  
From: Rev. Richard L. Tolliver, Ph.D., President and CEO  
St. Edmund's Redevelopment Corporation

I wish to offer the following regarding "increased funding for housing and homeless prevention priorities".

Potential Initiative: Allocate housing resources in such a manner as to further neighborhood revitalization goals, rather than viewing them as solely a means of providing affordable shelter. Housing resources are the most important resources the City has available to stimulate neighborhood revitalization.

Rationale for Initiative: Public resources are so limited, and the need so great, that public resources alone will never make a significant dent in either providing housing or neighborhood revitalization. Private resources must be enlisted in the effort. It is well established that strategic public investment begets private investment, and neighborhood revitalization and additional housing production results. And neighborhood revitalization seldom, if ever, occurs in an area suffering ongoing population loss, so the provision of new housing opportunities is essential. The strategic investment of City housing resources into a neighborhood creates a tableau that is attractive to both potential investors and residents, and to existing stakeholders. This can be as seemingly minor as an existing owner being able to obtain insurance for his property after the vacant building next door is rehabilitated, to the bold initiative of new condo buildings being built on vacant lots on blocks where new construction rental townhouses funded by Low Income Housing Tax credits were built. (See Indiana Ave. between 43rd and 50<sup>th</sup> Streets, where over 20 new condo buildings, totaling over 80 units, were built following the construction of 65 LIHTC units on City-owned vacant lots.) The intent here is to encourage program participants, when visualizing proposed projects, to consider more than simply building or rehabbing a project to collect a developer fee.

Implementing the Initiative: The following actions could help achieve this initiative:

- Require applicant for City assistance to provide a Revitalization Impact Statement (RIS) in their applications for such assistance as LIHTC allocations; CDBG and HOME funds; and any other funds that result in new construction or substantial rehabilitation. Adjust the QAP accordingly.
- Reward applicants who come to the table with a concrete plan to, or even better actual commitments from, potential investors, public or private, who would carry out supportive development activities in the immediate area of the proposed project.
- Enlist other City agencies, and such housing partners as HUD, IHDA, and the CHA to consider how their resources and decisions can assist the City's efforts at pump priming neighborhood revitalization activities. For example, closing an elementary school in the middle of a revitalizing area, forcing children to go to a school eight (8) blocks away in a semi-industrial area, probably is not very supportive of revitalization.

Making this initiative a reality will require a significant change in focus on the part of public lenders and the development community, and there will therefore require time to implement.

Effect of Initiative: The use of housing resources in this manner could truly have a transforming on some neighborhoods and could be implemented without a great deal of disruption. Further, revitalizing areas present much greater opportunities for inclusion and diversity.

Challenges that Might be Encountered: There are not nearly enough resources to implement this neighborhood revitalization focus in every area of the City. Neighborhoods with little or nothing to build on will find it difficult to participate in such an initiative. But, a single housing

development, isolated and in effect on an island in such a neighborhood, will probably not ever be effective in providing safe shelter for the residents.

### **Additional Thoughts**

Since I began with a mention of scarce resources, I want to also put forward an initiative to dramatically increase the amount of City housing resources that could be made available over the next four years.

Initiative: Monetize and make liquid the hundred(s) of millions of development subsidy loans (CDBG, HOME, Corporate, CHA Development and HOPE VI funds, etc.) that have been made over the years.

Rationale for the Initiative: Much of the housing subsidies the City has made available over the last thirty (30) years has been in the form of non-interest-bearing subordinate debt that will not become due until the underlying first mortgage debt matures. In most cases, this is for 30 or more years. Those second, third, etc. mortgages have little real value to the City or CHA, because affordability and other requirements are secured by a land use regulatory agreement as well as the mortgage. While they have little value to the City, they may have value to investors, and they would certainly have value to current project owners, if they could be purchased at their present value. Currently, the City is predisposed to keep those mortgages in place until maturity, or they are paid in full, although on a case-by-case basis, they have, I believe, allowed for negotiated sales or extinction of those mortgages. By keeping them in place, their value is being eaten up by increased construction cost.

Implementing the Initiative: The City could develop a formula for establishing the present value of those mortgages and then offering them for sale to either investors or current mortgagors. Proceeds could then be reinvested by the City and CHA in new housing developments. The City should appoint a small task force of public and private lenders to advise them on developing an equitable formula and procedures for marketing the mortgages. This could be done in the first 100 days.

Effect of Initiative: The most obvious effect of the initiative would be to raise money for additional housing investments. A secondary effect might well be to increase liquidity in the existing City-assisted housing inventory and in so doing bring additional private investment to these developments so that they would not simply be discarded at the end of the thirty-year holding period. Similarly, existing owners would be motivated to reinvest in their properties if they believed they could have significant value at the end of the thirty-year holding period. Again, most City-assisted properties have Land Use and Regulatory agreement restrictions that run with the property for thirty years so allowing these mortgages to be sold or extinguished would have no negative effect on affordability.

Challenges to the Initiative: The concept of the time value of money is not generally well understood, so the implementation of such an initiative would require a carefully crafted explanation of how the initiative would benefit neighborhoods and those in need of housing and is not a windfall to investors or owners.

Name: Stacie Young, Preservation Compact Director, Community Investment Corporation  
Committee: Housing Transition Committee  
Objective: Increase access to and supply of affordable rental units city-wide

Community Investment Corporation (CIC) is a Community Development Financial Institution (CDFI), which provides financing to preserve multifamily affordable rental housing in the Chicago area. Since 1984, CIC has financed \$1.4 billion to preserve 62,000 units. Housed at CIC, The Preservation Compact is a collaboration of for-profit and non-profit developers, advocacy groups, civic groups, lenders, and federal, state, and local government agencies working together to develop policy and programmatic strategies to preserve affordable rental housing.

Preservation is the most critical and efficient rental housing strategy to keep blocks and neighborhoods healthy. The City's multifamily rental stock provides the backbone of our neighborhoods, but the majority was built more than 50 years ago. It needs investment and care. The City cannot afford to lose the affordable units we have: preserving an affordable unit costs \$50,000, while new construction can cost upwards of \$300,000.

**Potential Initiative: Preserve Naturally Occurring Affordable Housing, or NOAH, by better utilizing and coordinating existing City tools and programs, and by leveraging small amounts of government investment with CDFIs to multiply private investment.** The vast majority of affordable rental buildings have fewer than 50 units, are owned by small businesses, and do not receive federal subsidies. Rents are affordable because buildings are located in low cost neighborhoods. These buildings anchor blocks and house low-income families. Most owners keep buildings maintained and stay under the radar, but the effects of a few negligent owners can infect entire blocks. Other buildings get tied up with liens or foreclosure, leading to further disrepair. A coordinated and predictable approach to City activity related to the acquisition of unsubsidized buildings would strengthen the NOAH stock across market and building types. The City could:

**Better utilize existing legal tools to address vacant buildings.** For instance, more strategic use of abandonment and other legal tools could enable the City to gain control of buildings that are otherwise stuck in legal limbo. The buildings or land garnered by these efforts could be redeployed as affordable housing by non-profits or small businesses.

**Fuel more strategic acquisitions through CDFIs in both lower and higher cost markets with small amounts of subsidy in exchange for affordability.** For instance, the City could provide 10% of the acquisition costs of a building, and then require at least 50% affordability at 80% of AMI for 15 years. A small amount of credit enhancement from the City could also leverage significant private capital from CDFIs to finance target acquisitions.

**Activate private investment and add units to the stock without City subsidy.** Not only are basement units more likely to be more affordable, but the extra income can leverage rehab financing, and help stabilize owners threatened by displacement. Recent updates to the building code also reduce the costs of creating basement units. Experimenting with coordination across departments, streamlined permitting, retroactive permitting to legalize existing units, zoning tweaks, and providing minimal City grants in exchange for long term affordability, could drive a more comprehensive basement unit policy. In the same spirit, the City could also explore a policy to govern Accessory Dwelling Units (ADUs).

***Preserving NOAH is consistent with the new administration's focus on equity and diversity.***

Preserving NOAH leads to more equity and diversity across neighborhoods by improving housing conditions in low-cost, disinvested markets. On the flipside, preserving affordable units in strengthening markets prevents displacement and promotes more racial and economic integration.

***These strategies provide clear paths to transparency and accountability.*** Providing a predictable process for acquisition and disposition when the City uses legal tools drives more transparency. The expanded stock of city-owned buildings and land could also expand opportunities for otherwise excluded populations to access these properties for affordable housing.

***The scale and efficiency the City could achieve by preserving the NOAH stock in Chicago naturally lends itself to transforming the buildings, quality of life of tenants, and neighborhoods.*** By leveraging private investments with City tools and dollars, the achievable scale - with only small amounts of city resources - is itself transformational.

**Today, some existing City programs already prove the power of preservation with small infusions of City dollars and coordination across agencies.** To deal with the worst buildings, the City has deployed existing legal tools via interdepartmental coordination and partnerships. The Troubled Buildings Initiative (TBI) uses code enforcement and receiverships to improve distressed multifamily buildings, thereby preventing deterioration and possible demolition. Administered by CIC, TBI has recovered 670 buildings with 12,800 units since 2003. The average cost to the City is \$1,800/unit.

The Preservation Compact's Interagency Council stands as another good example of existing intergovernmental coordination. For the past ten years, the City of Chicago, HUD, IHDA, Cook County, and the Chicago Housing Authority have convened to identify and preserve over 5,000 at-risk affordable rental properties.

**In the next 100 days the City could leverage the knowledge of experienced stakeholders to explore programs that expand legal tools, leverage small City investments, and develop pilots to promote basement units. This groundwork would inform long-term implementation.**

**The City would face challenges in all of these endeavors,** including staff and financial capacity: ensuring ample staff to more aggressively pursue legal tools, identifying City dollars, and exploring basement and ADU policies. Another challenge is to expand rental subsidies: while strategic acquisitions help, the most efficient vehicle to preserve NOAH in strengthening markets, and to provide mobility for low income households to live in those markets, is through rental subsidies. While CHA and the Low-Income Housing Trust Fund are great, more resources are always needed.

We believe that partnerships drive success, and that preservation delivers solid impact with an efficient approach. We look forward to working with you on these and other efforts.

**Name:** Vivien Tsou, ONE Northside

**Transition Committee:** Housing

The City of Chicago is losing population and hyper segregated. We struggle with a legacy of redlining, exclusionary practices, disinvestment, urban renewal and continued churn in our communities caused by speculation. People who have called their community home for generations are being displaced as the City and Aldermen defer to the will of deep pocketed developers who extract all they can for their own profit. Households who can move often do for many reasons, not the least of which is housing instability. What is most frustrating about this crisis is that it can be mitigated by a consistent and reliable city government that also prioritizes a city of well resourced and affordable neighborhoods.

The Affordable Housing Team at ONE Northside believes our City needs an overhaul in investment and policy to protect low-income people and families of color from being pushed out of their homes and the city. The ONE Northside Affordable Housing Team is comprised of low-income, working class, middle-income tenants, condo owners, property owners and non-profit institutions on the northeast side of Chicago. We work on multiple housing issues and are addressing the following objectives proposed by Mayor-elect Lori Lightfoot:

- Increase access to and supply of affordable rental units city-wide
- Increase access to subsidized housing and housing assistance city-wide
- Raise revenue to increase funding for housing and homelessness prevention priorities
- Ensure streamlined and transparent building, permitting, and zoning processes

We believe that the City needs to commit to building, preserving, and regulating affordable housing to solve the homelessness crisis in Chicago and ease the overall housing cost burden on low income and middle income Chicagoans. There are clear ways to meet these objectives:

**Substantial and predictable funding for affordable housing**, specifically the preservation of Single Room Occupancy Hotels (SRO's). We need \$500 million set aside to preserve 4,373 SRO units that are left in the City to house those most at risk of homelessness. If the City of Chicago is able to invest [\\$54 million into the Uptown Theatre](#) and offer \$2 billion in tax incentives to Amazon, we should be able to significantly fund affordable housing in our City.

Between 2011 and 2013, Chicago lost 2,200 SRO units. After the SRO Preservation Ordinance was passed in 2014, this loss slowed, but we still lost 325 SRO units on the north side because the city backed away from their initial commitment (which, along with the ordinance, led to the preservation of 635 SRO units). There are currently 1,494 at-risk SRO units in ONE Northside neighborhoods.

We believe we can achieve some of this funding through progressive taxation and changing the Real Estate Transfer Tax (RETT). We are part of the Bring Chicago Home coalition with the Chicago Coalition for the Homeless (CCH). The Bring Chicago Home coalition proposes to raise the RETT only on properties worth \$1 million or more by 1.2%. Through this, Chicago would raise an estimated \$150 million every year in new revenue that would be allocated to homelessness prevention services, including preserving SRO buildings. This is approximately ten times what Chicago is currently spending on homelessness. This infusion of resources would lead to dramatic reductions in homelessness in Chicago.

The City of Chicago needs to commit additional and predictable resources for SRO's and for affordable housing preservation and creation overall. We cannot just rely on state and federal passthrough, and opt out fees.

**Tenant protections** including implementing rent control and just cause eviction. For the health of the City of Chicago, we must ensure that low and moderate income tenants are able to stay in their homes and not get pushed out by the unpredictable rent increases. Currently, 51% of households in Chicago are rent burdened. [Between 2000 and 2015, average Chicago rents have increased more than 60 percent](#). In 2016, Chicago suffered its third consecutive year of population loss. In all neighborhoods, cost burdened renters increased by over 25%. Rent stabilization legislation keeps families in their homes. In a [Stanford study](#), it is clear that families with rent controlled units in San Francisco were 1) able to stay in their homes from 1994 to 2010 and 2) save \$2.9 billion in rent increases. [The only reason it did not work for families that came after 1994 had to do with lack of restrictions on rent control policy around vacant units, which reduced the number of rent control units overall](#). It stabilizes existing affordable housing that is privately owned and stretches

**Name:** Vivien Tsou, ONE Northside

**Transition Committee:** Housing

government funding to create more affordable housing. 80% of Chicago's roughly 100,000 publically funded units are privately owned. To maintain these units, the government has had to incentivize private owners to participate in the subsidized housing programs through providing market-rate rents. When we create a rent stabilization policy, our public dollars will stretch much farther to serve more families that need it.

We work with the Lift the Ban coalition to enable rent control legislation statewide. There is an existing proposal at the state level, [HB2192](#), around what rent control looks like that would stabilize rents to the %-age of inflation, combat loopholes based on studies in New York and California, and provide benefit to small landlords.

**Stronger requirements on development**--the benefits of new development should be felt strongly by residents struggling to remain in the community. The Affordable Requirements Ordinance (ARO) set a new benchmark when passed, but is not enough. Developers must be held to a high standard if given any city benefits--at this point they are able to extract benefits while giving very little in return. When developers ask the City to grant upzoning requests, TIF supports or other benefits, the City must require substantial community benefits, instead of these increased profits going straight into the pocket of the developer. Our standards are outlined in the The Development for All ordinance, spearheaded by a coalition including ONE Northside, which would improve the ARO by requiring a 30% affordability commitment, removing the 'in-lieu' fee option, require onsite units to be affordable in perpetuity, deepen affordability to include incomes between 15-50% of AMI, and require family sized units and wheelchair accessibility.

ONE Northside also supports the following provisions for local, living wage jobs in new development, these include: Prevailing wages/benefits for maintenance, engineering, and security jobs. Davis Bacon wages for all construction jobs. Cook County living wage for all jobs, including, but not limited to retail onsite. In which 75% of total hires and 55% of construction hires are from local or adjacent zip codes, including people who are unemployed, underemployed (defined as any individual making less than the living wage), have backgrounds, or are people with disabilities, health issues.

Lastly, we deeply share the goal of desegregating Chicago. No future [truly affordable development](#) on the northside should ever be halted. But a development where 10% of units rent for 60% AMI is not affordable, and expediting 90% market-rate development [would just exacerbate gentrification](#). We propose around the idea of aldermanic prerogative to:

- Permit bypassing of aldermanic prerogative if the development satisfies the Development for All ordinance.
- Keep aldermanic prerogative if the Alderman demands more than 10% affordable housing at 60% AMI.
- Allow only public and non-profit affordable housing developers to bypass aldermanic prerogative.

**Regulation of public housing money** to ensure it is maximizing the quality and number of very affordable housing units that serves the people. Currently, being [on a waitlist for 25 years is common for CHA housing](#). The CHA must be a housing authority that serves the people and prioritizes public housing over developer interests. For this to happen, we need clearer accountability that creates effective community oversight of the Chicago Housing Authority and holds them to their promises of housing voucher holders and public housing tenants.

A proposal for these objectives can be found in the Homes for All ordinance that ONE Northside works on alongside the Chicago Housing Initiative: The CHA must report to the Committee on Housing and Real Estate on available resources, vacant and offline housing ward-by-ward, voucher utilization rate, progress building replacement public housing across all neighborhoods, and the number of section 3 jobs created to help low-income families progress economically. The legislation requires one for one replacement of standing public housing units. It mandates 20% of future public housing units be sited in low-poverty areas of the city, providing expedited review and evidence-based approval for Planned Unit Development proposals with affordable housing in wards with less than 10% affordable housing. By doing this, aldermanic prerogative is appropriately limited. In addition, the City should only approve Planned Development Applications for the disposition or sale of public housing land if the CHA produces a Replacement Housing Plan showing the location, financing, and timeline for constructing all replacement housing units promised at time of demolition, with housing constructed within 24-60 months. Lastly, it makes the waitlist system more transparent to create protections against abuse and corruption.